

DAILY REPORT

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HONG KONG

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PRC INTERNATIONAL AFFAIRS
UNITED STATES

B 1

BEIJING COMMENTARY ON SHULTZ' MOSCOW VISIT

OW121021 Beijing in English to North America 0000 GMT 11 Apr 87

[Zhang Gouhua commentary]

[Text] U.S. Secretary of State George Shultz will visit Moscow on Monday to hold political talks with Soviet leaders. Our Washington correspondent Zhang Gouhua has a new analysis:

[Beging Zhang recording] Secretary of State George Shultz's talks with Soviet Foreign Minister Eduard Shevardnadze in Moscow will mark the third high-level contact between U.S. and Soviet officials since the Iceland summit last October, and medium-range missiles are expected to be a major topic of their discussion, although the talks are also expected to cover regional issues, human rights, and embassy security.

U.S.-Soviet arms control negotiations have been going off and on for many years, and one area where breakthrough is least difficult is the reduction or elimination of medium-range missiles. It was the Iceland summit that brought the U.S.-Soviet position on medium-range missile reduction closer, and it was Soviet leader Mikhail Gorbachev's new proposal of 28 February to separate medium-range missile talks from space weapons negotiations that made the prospect of a treaty on reducing or eliminating medium-range missiles look good.

However, prospect is one thing, reality is another. When the extended session of U.S.-Soviet talks on medium-range missiles ended in Geneva on 26 March, positions of the two countries were still far apart. Differences are many: On verification, and on where to deploy the 100 medium-range missiles each side is allowed to retain after the elimination of medium-range missiles from Europe.

But the biggest stumbling block centers on short-range missiles, an area where the United States wants to have a right to match current Soviet (?absolute) superiority. Some Soviet officials have hinted in the past few days at a possible breakthrough by agreeing to eliminate some or all of their short-range missiles in Europe. They have also hinted at agreeing to dismantle all of their medium-range missiles, including the 100 each side first wanted to retain. U.S. officials said they have not received any formal Soviet proposals yet, and Secretary Shultz goes to Moscow to discuss the possibility with Soviet leaders.

Circumstances at home and abroad are such that both the United States and the Soviet Union do want a breakthrough or at least some progress in their lengthy arms control negotiation, but when both sides come to the bargaining table, each wants to circumvent the other. Bargaining is hard however good the prospect is.

One other thing noted is that Secretary of State George Shultz embarks on his Moscow visit at a time when both sides are stepping up accusing each other of security breaches at each other's embassy. While George Shultz described Soviet penetration into the U.S. Embassy in Moscow as casting a heavy shadow on talks with Soviet leaders, Soviet Deputy Foreign Minister Vladimir Petrovskiy charged that the U.S. allegations are aimed at poisoning the atmosphere before Shultz's visit. Therefore, how successful Shultz's talks with Shevardnadze will remain to be seen. [end recording]

XINHUA NEWS ANALYSIS OF SHULTZ' VISIT TO MOSCOW

OW131532 Beijing XINHUA in English 1458 GMT 12 Apr 87

[*"News Analysis: Shultz's Moscow Visit (by Shi Lujia)" -- XINHUA headline*]

[Text] Washington, April 12 (XINHUA) -- On the eve of U.S. Secretary of State George Shultz's Moscow visit, a message came from Soviet leader Mikhail Gorbachev that negotiations on short-range missiles to be run concurrently with the talks on intermediate nuclear force (INF) in Europe. [sentence as received]

This represents a reverse of the Soviet leader's original stand that talks on short-range weapons follow those on medium-range missiles.

While in Prague, Gorbachev proposed that talks be held within the framework of the European Security Conference for drastic cuts in tactical missiles and conventional forces in Europe.

Gorbachev's new overtures were given a reserved welcome by U.S. President Ronald Reagan, who said: "We have never believed in the linkage of those two weapon systems together, but we have believed that the negotiations should be simultaneous."

However, he made clear that the United States will not permit the benefit of INF reduction "to be undermined and circumvented by continuing imbalance" in short-range missiles, in which he said Moscow has "a huge advantage".

The recent pronouncements by both sides rendered more subtle the prospects of Euromissile negotiations which had been bogged down over a U.S. demand that short-range missiles be addressed as integral part of the INF negotiations.

In February, the Soviet Union declared a delinkage of the Euromissile issue with the U.S. Strategic Defense Initiative (SDI) in arms control talks, thus reviving the long-stalled medium-range missile talks, with both sides accepting the "zero option" as the starting point to solve the Euromissile issue. The two sides also came closer on the issue of verification.

All this created a very optimistic climate at the time, with officials of both sides predicting a Euromissile accord in a matter of months. Local newspapers in this capital said that Shultz's Moscow visit, if successful, would clear the way for a visit by Soviet leader Gorbachev to Washington within this year.

However, the talks were soon brought to a halt because of a draft treaty put forward by the United States urging a simultaneous resolution of both medium and short-range missiles in Europe.

The United States argued that the withdrawal of U.S. Pershing-II and Cruise missiles from Europe, in line with the "zero option," would expose Europe to the grave threat of several hundred Soviet short-range rockets.

Therefore, the United States demanded that the Soviet Union either reduce its short-range missiles in Europe, or allow the United States to station the same number of such weapons in Europe.

In response, the Soviet Union expressed opposition to the simultaneous talks on these two kinds of weapons and the introduction of new U.S. missiles in Europe though it was willing to negotiate the short-range missile issue.

This new strategy of the United States, the Soviet Union believes, is a proof that it is not disposed virtually to dismantle Euromissiles.

Why this U.S. emphasis on short-range missiles when breakthroughs are in sight at medium-range missile talks?

Domestically, although public opinion is generally in favor of a Euromissile accord, some people like Henry Kissinger and Zbigniew Brzezinski spoke out against the "zero option," and instead called on the United States to keep a portion of its missiles there as a deterrent to Soviet short-range rockets and conventional arms.

Internationally, most of the Western European nations, favoring a Euromissile solution as they are, have misgivings about the Soviet superiority in short-range missiles and conventional forces. Hence, their hope for a simultaneous resolution of both.

With this in mind, French President Francois Mitterrand and NATO Secretary General Lord Carrington visited the United States recently to extort a pledge to this effect. This was followed by British Prime Minister Margaret Thatcher, who travelled to Moscow to press Gorbachev to comply with the U.S. demand.

On the other side of the coin, however, it is also Reagan's desire to work out a Euromissile accord with the Soviet Union, because:

In the short term, such an accord would serve to improve the image of his administration, thus pushing the Iran-contra scandal into the background; in the longer term, any progress in arms cuts achieved during what is left of his second term would be of advantage to both Reagan himself and the Republican Party he represents.

Secondly, Euromissiles do not count so much as the U.S. strategic and space weaponry do in the overall balance of nuclear arsenals with the Soviet Union, and the taking-out of Euromissiles will not upset their nuclear parity.

This explains why President Reagan has okayed Shultz's Moscow visit as planned despite the recent uproar in this capital over the Soviet spying on U.S. Embassy personnel in Moscow.

U.S. Presidential National Security Adviser Frank Carlucci indicated that Reagan saw the visit as worthwhile in view of the vital significance inherent in the issues to be discussed, although the time is inopportune.

But the chances for major breakthroughs in talks over Europe's medium and short-range missiles seem slim during Shultz's visit, in view of the differences separating the two sides and their limited maneuvering room caused by domestic and international factors.

Nevertheless, given the mutual desire to seek common grounds towards such an accord, the visit offers each side a chance to feel the other out, thus paving the way for future negotiations.

XINHUA ON REAGAN ARMS PROPOSAL 'POLICY SHIFT'

OW101858 Beijing XINHUA in English 1838 GMT 10 Apr 87

["Reagan Retreats From Previous Arms Control Proposals" -- XINHUA headline]

[Text] Washington, April 10 (XINHUA) -- U.S. President Ronald Reagan, in a major policy shift on arms control, has decided to reduce from ten to five years during which the United States would not withdraw from the 1972 Anti-Ballistic Missile Treaty (ABM) or deploy its "Star Wars" system, according to local press reports today.

In a secret national security decision directive that Reagan signed after consultations with his senior White House aides Wednesday, the President instructed Secretary of State George Shultz to tell his Soviet counterpart next week that the United States is now willing to abide by the ABM Treaty constraints on SDI for five years from the point that a new arms-reduction treaty takes effect.

This is seen here as a step backward from the previous proposal Reagan made to Moscow in Iceland last October that the United States would abide by the ABM Treaty until at least 1996.

Reagan has also authorized Shultz to inform the Soviets that his proposed 50 percent reduction in strategic weapons be carried out over a period of seven years instead of five as was discussed at the Iceland summit.

Shultz will fly to Moscow for discussions with Soviet Foreign Minister Eduard Shevardnadze and possibly Soviet leader Mikhail Gorbachev, that are generally expected to be focused on arms control, especially on the elimination of intermediate nuclear force (INF) missiles in Europe.

But U.S. Arms Control Agency Director Kenneth Adelman told reporters yesterday that Shultz will put the emphasis of the discussions on reducing strategic nuclear weapons because "that is the main interest we have in the field of arms control."

While INF negotiations have made some progress since the Soviet Union delinked the issue from space weapons at the end of February, the other two sets of talks on strategic arms and space-based missile defenses are deadlocked as the Soviets still insist on linking them.

It is believed here that the new shift in Reagan's position will virtually doom any chance during his presidency of reaching a U.S.-Soviet agreement on missile defense or strategic arms reductions, which Moscow insists must be tied to strict SDI constraints. Reports said Reagan has also rejected a new Soviet compromise offer on partial nuclear testing limitations.

The Soviet Union was reportedly no longer insisting on an immediate comprehensive nuclear test ban and offered instead to concentrate on new partial limits on nuclear explosions.

But Reagan has instructed Shultz that there should be no further talks on testing until the Soviet Union agreed to new monitoring measures for two existing but unratified treaties -- the threshold test ban treaty of 1974 and the peaceful nuclear explosions treaty of 1976. On the INF issue, Shultz would carry no new proposals to Moscow but would rather seek to clarify the Soviet position on short-range missiles which constituted a stumbling block to an agreement on medium-range missiles, the reports said.

XINHUA REPORTS ON SOVIET WITHDRAWAL FROM MPR

OW110900 Beijing XINHUA in English 0854 GMT 11 Apr 87

["Soviet Union Begins Partial Troop Withdrawal From Mongolia" -- XINHUA headline]

[Text] Moscow, April 11 (XINHUA) -- The Soviet Union has started pulling out part of its troops from Mongolia, the Soviet Defense Ministry announced here today.

The announcement carried by the official news agency TASS said: "In accordance with the Soviet leadership's decision and on arrangement with the Government of the Mongolian People's Republic, the earlier announced return from Mongolia to the Soviet Union of one motorised infantry division and several units from the contingent of Soviet troops staying temporarily in the territory of the Mongolian People's Republic has started."

Soviet leader Mikhail Gorbachev declared in Vladivostok last July that his country will withdraw "a substantial part of Soviet troops" from Mongolia.

On January 15, the Soviet Defense Ministry announced that one full-strength motorised rifle division and several separate units of Soviet troops "on temporary station in the territory of Mongolia" will be pulled back to the Soviet Union between April and June.

QIAN QICHEN LEAVES FOR MOSCOW TALKS 13 APR

OW130848 Beijing XINHUA Domestic Service in Chinese 0739 GMT 13 Apr 87

[Text] Beijing, 13 Apr (XINHUA) -- Qian Qichen, special envoy of the Chinese Government and vice foreign minister, and his party left Beijing for Moscow by plane today to attend the 10th round of consultations between the special envoys of the Chinese and Soviet Governments. The consultations will begin on 14 April.

Qian Qichen told reporters at the airport: "It has been 5 years since China and the Soviet Union began the consultations. We will, as always, hold a serious dialogue on how to normalize Sino-Soviet relations, particularly on how to eliminate the hot spot between the two countries -- that is, the Cambodian question. We hope that progress will be made in the consultations."

Qian was seen off at the airport by Soviet Ambassador to China Troyanovskiy.

On Soviet Pullout From MPR

OW130813 Tokyo KYODO in English 0803 GMT 13 Apr 87

[Text] Beijing, April 13 KYODO -- Chinese Vice Foreign Minister Qian Qichen Monday indicated China did not attach much importance to the Soviet Union's reduction of troops stationed in Mongolia.

Qian made the indication when he was asked by reporters about the Soviet move just before leaving Beijing for Moscow to attend Sino-Soviet vice ministerial talks.

Qian said China's position remains the same as earlier this month, that the Soviet Union was going to withdraw only some of its troops stationed in northern Mongolia and not in the border areas with China.

Qian's remarks are construed by the media as showing China's insistence for the Soviet pullout of its troops from border areas with China in southern Mongolia.

XINHUA NEWS ANALYSIS ON NEW SOVIET ARMS PROPOSALS

OW111828 Beijing XINHUA in English 1808 GMT 11 Apr 87

["News Analysis: Soviet New Proposals Aim at Western Europe (by Xia Zhimian)" -- XINHUA headline]

[Text] Bonn, April 10 (XINHUA) -- Soviet leader Mikhail Gorbachev today unleashed a set of proposals on reducing short-range missiles in Europe in a bid to quell the West European concern over Soviet superiority in conventional and tactical nuclear forces.

The Gorbachev offer, spelled out at a Prague rally, is made of two parts. One calls for immediate negotiation between the United States and the Soviet Union on eliminating short-range missiles (with ranges between 500 to 1,000 kilometers) stationed in Europe. Neither side will be allowed to deploy more short-range missiles during the negotiation.

The other part suggests that the foreign ministers of countries involved in the Vienna European Security Conference meet to start negotiation on reducing shorter-range nuclear weapons (with ranges between 1% and 500 kilometers) and conventional armaments.

Gorbachev said the Soviet Union is willing to discuss the conventional military imbalance in Europe.

While proposing negotiation between Washington and Moscow, Gorbachev today invited the Paris, London and Bonn governments to contribute to the "freedom of Europe from medium-range missiles."

The Soviet leader's proposals followed closely his call on February 28 to reach a separate agreement with the United States on eliminating their intermediate nuclear forces ('INF') in Europe.

Gorbachev's February proposal reversed his previous insistence on linking INF with long-range missiles and especially the Strategic Defense Initiative (SDI) and accepted the West-sponsored "zero option" -- pulling U.S. Pershing-IIIs and cruise missiles in return for the Soviet withdrawal of SS-20s.

It was apparently aimed at putting more pressure on the Reagan administration and forcing it to abandon the SDI by catering to the disarmament needs of the West European countries and the Americans as well.

At first sight, the West European countries did greet favorably the Soviet INF proposal and expected the advent of an important breakthrough in the nuclear arms negotiation.

But soon the West Europeans began to worry as they realized that once the medium-range missiles are eliminated, the Soviets will have great superiority in tactical nuclear forces. Therefore, they proposed that the question of medium-range missiles be linked with that of short-range ones.

The West European concern was well expressed during British Prime Minister Margaret Thatcher's visit to Moscow and French Prime Minister Jacques Chirac's trip to Washington. The call for not neglecting Soviet superiority in short-range missiles is also louder in Federal Germany, which has energetically advocated a U.S.-Soviet INF agreement based on the "zero option."

Obviously, the first part of Gorbachev's proposal today, which is in nature a "zero option" on short-range missiles, aims to ease the concern of the West Europeans in this respect.

However, Western Europe has all along opposed the complete "denuclearization" of Europe since it believes that nuclear weapons can somehow offset the superiority of the Warsaw Pact in conventional weaponry.

Ten days ago, Federal German Deputy Defense Ministry Lothar Ruhl said Western Europe cannot afford one "zero option" after another which will derive it of the only means to balance with the Warsaw Pact's superiority in conventional weaponry.

Reports said Federal German Chancellor Helmut Kohl, in his recent letter to U.S. President Ronald Reagan, also stressed the need to keep short-range and tactical nuclear forces.

Thus, Gorbachev tries to dispel the Western Europeans' suspicion on its short-range missile proposal by suggesting that the Soviet Union would like to discuss any possible imbalance of conventional armed forces in Europe.

But, easier said than done. At the European disarmament conference, the NATO and the Warsaw Pact have negotiated conventional forces for 14 years and no substantial results have been achieved.

Reactions towards the Soviet latest proposal are different. Some extended welcome while others said they need further study.

It is still too early to predict what will happen in the months to come and whether Moscow will achieve its goal.

But one thing is certain: The parties concerned will have a hard bargaining over the Soviet proposal.

JAPAN, DPRK 'SECRET DIPLOMACY' IN BEIJING REPORTED

OM091315 Tokyo KYODO in English 1304 GMT 9 Apr 87

[Text] Beijing, April 9 KYODO -- A Japanese Foreign Ministry senior official visited China at least three times this year to secretly contact the North Korean Embassy in Beijing, informed sources in the Chinese capital disclosed Thursday.

The sources said Haruhiko Shibuya, counselor of the ministry's Asian Affairs Bureau, was first sent to China just after 11 North Koreans fled their country by a small boat and were brought to Japan late January. The North Koreans later went to South Korea via Taiwan. Shibuya secretly negotiated with North Korea, with which Japan has no diplomatic relations, on the North Korean refugees and two Japanese freighter crewmen detained in North Korea.

Similar direct negotiations between the two countries were previously held in Vienna and Belgrade three times last year regarding the Japanese freighter crewmen.

The sources said a top official at the North Korean Embassy in Beijing telephoned the Japanese Embassy in Beijing seeking secret contact just before the 11 North Koreans arrived in Japan on January 20. In response to the request, the ministry sent Shibuya to Beijing to establish contact with the North Korean Embassy there.

After the North Koreans defected to South Korea on February 8, Shibuya visited Beijing twice to continue talks with North Korea.

In the negotiations, North Korea reportedly proposed to release the Japanese freighter crewmen if Japan repatriates a North Korean soldier who defected to Japan in October 1983.

Hiroyuki Yushita, minister at the Japanese Embassy in Beijing, declined to make any comment on the secret negotiations with North Korea.

JAPANESE CRITICISM OF DORMITORY CASE HANDLING CITED

OM091247 Beijing XINHUA in English 1227 GMT 9 Apr 87

[Text] Tokyo, April 9 (XINHUA) -- The Japanese Government should not shirk its responsibility towards the Kokario [Guanghua] student dormitory case by claiming that the case was a judicial matter, the Japanese newspaper "MAINICHI SHIMBUN" said today.

The five storey dormitory was built after World War II with money from China to house Chinese students living in Kyoto. In 1977, an Osaka District Court dismissed Taiwan's claim to the building. Last winter, however, the Osaka High Court granted Taiwan's appeal.

The article, signed by one of the newspaper's editors, argues that the February 26 ruling by the Osaka court in effect recognizes "two Chinas." The ruling has triggered strong protests from the People's Republic of China.

The "MAINICHI SHIMBUN" article took the Japanese Government to task for "shirking" its responsibility by handing the matter over to the courts rather than exercise its executive duty. The article went on to charge that the government's handling of the affairs to take history into account.

PORUGAL'S SILVA DISCUSSES UPCOMING PRC VISIT

JW101256 Beijing XINHUA in English 1132 GMT 10 Apr 87

[Text] Lisbon, April 10 (XINHUA) — Portuguese Prime Minister Anibal Cavaco Silva said here Thursday that his coming visit to China, where he will sign the Sino-Portuguese Joint Declaration on the Question of Macao, has far-reaching political significance.

In an interview with XINHUA and the Chinese newspaper GUANGMING DAILY, Silva said that his visit, scheduled to begin on Saturday, has double significance: He will be the first Portuguese head of government to visit China; and he will sign the Sino-Portuguese joint declaration on Macao, which was initiated in Beijing on March 26.

During his stay in Beijing, he said, he will have talks with Chinese leaders to promote the development of political, economic and cultural ties between the two countries.

Hailing the joint declaration on Macao, the prime minister said that ever since the establishment of diplomatic relations in February 1979, the two countries have been working toward a mutually acceptable solution to the issue.

The most recent talks, which began in 1986, have achieved satisfactory results, he said.

"The declaration, agreed upon after cordial talks between the two countries, respects the position of each side and is beneficial to the stability and development of Macao," he said.

Commenting on China's concept of "one country, two systems," with China has also adopted in solving the question of Hong Kong with Britain, Silva described the policy as "a wise decision by the Chinese Government" and being in the interest of establishing a special administrative region in 1999 after China resumes its exercise of sovereignty over Macao.

"I believe that the declaration (on Macao) is in the best interest of both China and Portugal, as well as the residents of Macao," he said.

Silva said that the negotiated resolution on Macao between the Portuguese and Chinese Governments has set "a model in international relations" and that the declaration has laid a new basis for relations between the two countries. He added that his government looks forward to closer economic, trade and cultural ties with China.

"China is a great country engaged now in its economic development. It has a long history of culture and is playing an important political role in the world," he said.

He said that Portugal, since it became a member of the 12-member European Economic Community, is also on a path of complete social and economic development.

"I believe that there are broad prospects for cooperation between the two countries, and my talks with Chinese leaders will help strengthen the friendship and basis of cooperation," he concluded.

Departs for China

OW101704 Beijing XINHUA in English 1652 GMT 10 Apr 87

[Text] Lisbon, April 10 (XINHUA) — Portugal's Prime Minister Anibal Cavaco Silva left here today on a visit to China during which he and Chinese Premier Zhao Ziyang will formally sign an agreement on the future of Macao.

Cavaco Silva is accompanied by Foreign Minister Pedro Pires de Miranda and other Portuguese officials.

On March 26, China and Portugal initialed a joint declaration on the question of Macao, under which China will resume the exercise of sovereignty over the region beginning from 20 December 1999.

Arrives in Beijing

OW111148 Beijing XINHUA in English 1133 GMT 11 Apr 87

[Text] Beijing, April 11 (XINHUA) — Portugal's Prime Minister Anibal Cavaco Silva and his party arrived here by plane this afternoon to begin a week-long official goodwill visit to China at the invitation of Chinese Premier Zhao Ziyang.

Silva is expected to sign a Sino-Portuguese joint declaration on the Macao issue during his stay here.

Silva is the first leader of the Portuguese Government to visit China. Observers here hold that the current visit by Silva and the settlement of the Macao question will further enhance the cooperation between the two countries.

Greeting Silva and his party at the airport were Chen Tuobin, chairman of the reception committee of the Chinese Government and minister of foreign economic relations and trade, and Zhou Nan, Chinese vice-minister of foreign affairs and head of the Chinese Government delegation to the Sino-Portuguese talks on Macao.

Zhen welcomed Silva on behalf of the Chinese Government and Premier Zhao Ziyang. He told Silva that Beijing is in one of its best seasons. The prime minister has timed his visit well both politically and in terms of weather, he said.

The prime minister said he was glad to have the chance to visit China and expressed the hope that his visit would help promote the relations between the two countries.

Silva is accompanied on the trip by his wife Maria Cavaco Silva, Foreign Minister Pedro Pires De Miranda and head of the Portuguese Government delegation to the talks on Macao Rui Medina.

It is learned that Premier Zhao is scheduled to preside over a ceremony here tomorrow afternoon to welcome the Portuguese prime minister.

Greeted by Zhao

OW121116 Beijing XINHUA in English 1034 GMT 12 Apr 87

[Text] Beijing, April 12 (XINHUA) -- Portugal's Prime Minister Anibal Cavaco Silva was formally welcomed into Beijing at a ceremony hosted by Chinese Premier Zhao Ziyang at the plaza to the east of the Great Hall of the People here this afternoon.

Silva, the first Portuguese Government head to visit China, arrived here yesterday.

Premier Zhao greeted Silva and his wife when they reached the plaza in the company of Chinese Minister of Foreign Economic Relations and Trade Zheng Tuobin and his wife. Two teenagers presented the guests with bouquets.

The two premiers walked across a red carpet to a dais. After the military band played the national anthems of Portugal and China amid the sound of a 19-gun salute, Silva reviewed an honor guard of the three services of the Chinese People's Liberation Army in the company of Zhao.

Present on the occasion were Ji Pengfei, Chinese state councillor and director of the Hong Kong and Macao Affairs Office under the State Council, and his wife, and Wu Xueqian, state councillor and foreign minister.

Portuguese Foreign Minister Pedro Pires de Miranda attended the ceremony.

Also present were a group of noted public figures from Macao who are here to attend the forthcoming signing ceremony of the Sino-Portuguese joint declaration on Macao.

At the close of the ceremony Zhao met Silva in the Great Hall of the People.

Zhao, Silva Hold Talks

OW121240 Beijing XINHUA in English 1214 GMT 12 Apr 87

[Text] Beijing, April 12 (XINHUA) -- Chinese Premier Zhao Ziyang held talks with visiting Portuguese Prime Minister Anibal Cavaco Silva in an atmosphere of friendship and harmony here today.

The two leaders were very delighted at the successful and quick settlement of the Macao question and maintained that this will provide a good opportunity for the growth of friendly relations and cooperation between China and Portugal.

The two sides agreed to continue their efforts for Macao's future stability and development.

Zhao described the Sino-Portuguese Joint Declaration on the Macao Question as a major event in the history of Sino-Portuguese relations, saying it marks a new phase of the two countries' friendship and cooperation and has laid a solid foundation for Macao's stability and prosperity. "This completely accords with the fundamental interests of the Chinese people, including the compatriots in Macao, and the Portuguese people," he added.

Zhao expressed admiration and appreciation in particular of Portuguese President Mario Soares and Prime Minister Silva who have, displaying statesmanship, made important contributions to the agreement.

"We will implement the Sino-Portuguese Joint Declaration on the Macao Question to the letter," Zhao said, adding that he hoped and believed that the two sides would implement the agreement comprehensively, correctly and in the spirit of cooperation, mutual respect and accommodation.

He said China is very much concerned about how to maintain Macao's stability and prosperity during the transition period, adding that China will give cooperation, as provided for in the joint declaration, to the Portuguese authorities in Macao in their day-to-day administration.

Silva said Portugal too is concerned about the stability and development of Macao and will implement the agreement faithfully and run well Macao's daily work during the transition period. "Portugal will try its best to ensure the transfer of administration in 1999," he added.

The two leaders also exchanged views on international issues of common concern and expressed satisfaction with their identical or similar views on many major international issues.

Silva invited Zhao to visit Portugal. Zhao accepted the invitation with pleasure.

Among those taking part in the talks on the Chinese side were State Councillor and Foreign Minister Wu Xueqian and Minister of Foreign Economic Relations and Trade Zheng Tuobin.

Among those on the Portuguese side was Foreign Minister Pedro Pires de Miranda.

After the session Zhao and Silva conferred with only interpreters present.

Leaders Address Banquet

OW121408 Beijing XINHUA in English 1348 GMT 12 Apr 87

[Text] Beijing, April 12 (XINHUA) -- Chinese Premier Zhao Ziyang said here today that the Sino-Portuguese Joint Declaration on the Macao Question will, like the Sino-British Joint Declaration on Hong Kong, go down into the annals of history as a major event of far-reaching significance in the 1980's.

Zhao said this at a banquet he gave for visiting Portuguese Prime Minister Anibal Cavaco Silva tonight. The Sino-Portuguese declaration is scheduled to be formally signed tomorrow.

Through fruitful negotiations, Zhao said, the Chinese and Portuguese Governments have in a short period of time reached an agreement on the Macao question which was left over from history.

"This agreement not only solves the question of China's resumption of exercise of sovereignty over Macao," he said, "but also provides a reliable guarantee for the long-term stability and development of Macao in the future."

"It ushers in a new stage for the development of the friendly relations and cooperation between China and Portugal and sets a new example of successfully settling disputes between states through peaceful negotiation," he noted.

He said over the past eight years since the establishment of their diplomatic relations the two countries have made gratifying progress in their bilateral friendly relations and cooperation in all fields.

The satisfactory settlement of the Macao question, he said, marks a new milestone for the development of Sino-Portuguese friendly relations. It will undoubtedly help consolidate and promote the all-round development of friendly relations and cooperation between the two countries, he added.

On international issues, Zhao said that at present there is some relaxation in the international situation.

However, he said, the arms race between the superpowers continues unabated and not a single regional conflict has been settled.

As a result, he said, world peace is still being threatened. This cannot but arouse concern and anxiety from the people of all the countries.

"It is our hope," he said, "that the two superpowers will set store by the overall interests of world peace and security and, through earnest negotiations, reach an agreement which helps put an end to their arms race and relax international tension without prejudice to the interests of other countries."

In reply, Silva said that the successful conclusion of the talks on the future of Macao -- a Chinese territory under the administration of Portugal -- between the Chinese and Portuguese Governments is an honor for both the Chinese and Portuguese peoples.

He described the talks as an embodiment of the two countries' mutual respect for each other's interests. "As we held and concluded our talks in an atmosphere of friendship, harmony and accommodation," he said, "our two governments have set an example for other countries."

Silva said that the Macao area has now become another factor for our two peoples to get closer to each other. He also pledged the Portuguese Government's every effort to maintain Macao's stability and promote the progress and development of Macao and its inhabitants.

He confirmed that Portugal and China have identical positions on many international issues, including denunciation of apartheid, advocacy of peace in Southern Africa, safeguarding the principle of self-determination, opposition to the situation arising from the use of force, denunciation of aggression of Afghanistan, and support for an independent Kampuchea free from external interference.

He said Portugal understands and appreciates the five principles guiding China's foreign policy. "I know that China too respects the priorities of our country's foreign policy," he added.

Silva also envisaged new possibilities for the two countries' economic, trade and cultural exchanges.

Among those present at the banquet were Chinese State Councillors Ji Pengfei and Wu Xueqian, who is also foreign minister.

Also present were public figures of various circles in Macao who have come upon invitation to attend the ceremony for signing the Sino-Portuguese Joint Declaration on the Macao Question.

Discuss Macao Agreement

LD122121 Lisbon International Service in Portuguese 1815 GMT 12 Apr 87

[Excerpts] The prime minister arrived yesterday in Beijing where he was received in a festive atmosphere. The high point of Cavaco Silva's visit will be tomorrow's signing of the agreement on Macao. [passage omitted]

Our special correspondent Carlos Magno reports from Beijing:

[Begin Magno recording] The Chinese premier has promised strictly to implement the agreement on Macao which will be signed here in Beijing tomorrow. In this direct fashion Zhao Ziyang replied to certain doubts raised among the Macanese community and in the international press -- namely the British papers -- which ran along the lines that the agreement had such good terms for Portugal that China cannot have any intention of abiding by it. However, both in his private meeting with Cavaco Silva and later in his official banquet speech in the Great Hall of the People, Premier Zhao Ziyang repeated his pledge strictly to abide by the Macao agreement. [passage omitted]

During the private meeting with his Chinese counterpart Cavaco Silva briefed him on the situation in Portugal, stressing that although his government has been brought down by a censure motion this should not be seen as a sign of political instability in our country. Zhao Ziyang, for his part, also spoke about the internal situation in China, pointing out that certain foreign friends fear that the battle against bourgeois liberalization might halt the openness and the latter is only possible under the guidance of the Chinese Communist Party. Zhao Ziyang then introduced a touch of humor when he pointed out that only recently the Beijing authorities had sensibly solved some problems: We had no need to resort to water cannon nor to arrest students. The people understood our position and refused to have any part in the confusion because the demonstrations were jamming the traffic, Zhao Ziyang stated. [end recording]

Silva Meets Deng Xiaoping

HK130802 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0655 GMT 13 Apr 87

[Text] Beijing, 13 Apr (ZHONGGUO XINWEN SHE) -- At 1030 this morning, when CPC Central Committee Advisory Commission Chairman Deng Xiaoping shook hands with Portuguese Prime Minister Silva, saying "welcome," over 100 journalists were present and there was a constant clicking of cameras which drowned all other noises.

After sitting down, Deng Xiaoping and Silva had an extremely friendly chat for 50 minutes. Deng Xiaoping said: Your excellency the prime minister's visit is of great significance, first because it has resolved a major problem -- that of Macao -- left over in our history, and second, because it has opened up a new relationship between China and Portugal; "The past is over, and we advance toward the future."

Silva said, smiling: We have resolved the Macao problem in a harmonious and friendly atmosphere. This has set an example for other countries in the world.

Deng Xiaoping immediately declared: "That is so. To have resolved the Hong Kong and Macao problems in not long a time is to have set an example for resolving similar problems in the international field."

Deng Xiaoping said that it appears that the "one country, two systems" idea proposed by China is a success. Resolving disputes such as the Macao problem in this fashion can be described as having provided some experience for resolving international disputes and eliminating international hot spots.

When Prime Minister Silva said that as a result of this visit he believed that there will be no change in China's policies, Deng Xiaoping declared affirmatively that "they will not change, and there is no reason why they should. A change would arouse the people's opposition. China's policy of opening up and reform will not change for at least 70 years."

Deng Xiaoping explained that it is imperative for China to carry out reforms and open up to the world in order to reach a comfortably well-off standard of living by the end of the century. This cannot be achieved by closing the country to international intercourse. Neither can we attain the goal of the first 50 years in the next century without reform and opening up. Therefore there will be no change in policies in the first 50 years of the next century." [quotation mark as received]

Deng Xiaoping pointed out that China's policies of reform and opening up cannot be changed after the first 50 years of the next century either. This is because, "the more developed China becomes, the more will it be unable to break its countless international ties. The international community needs the China market, and China needs the international market. How could the policies change!"

Deng Xiaoping told Silva that China also has a policy of safeguarding world peace. He said this makes it necessary to have a united and strong Europe, including Eastern and Western Europes. Europe does not want World War III to break out because it has suffered enough in the two world wars. China not only regards itself as a force for peace but also regards Europe as a force for peace. The development of Europe is the guarantee of peace."

Prime Minister Silva expressed agreement with this.

The meeting took place in the Fujian room of the Great Hall of the People.

When the meeting ended, Deng Xiaoping said as he escorted Silva to the door of the room: "We will meet again." Ten minutes later, this proposer of the "one country, two systems" concept walked sturdily to the great west hall of the Great Hall of the People to attend the signing of the Sino-Portuguese Joint Declaration on the Macao Issue.

ZHAO ZIYANG BIDS SWEDISH PRIME MINISTER FAREWELL

OW091602 Beijing XINHUA in English 1548 GMIS 9 Apr 87

[Text] Shanghai, April 9 (XINHUA) -- Swedish Prime Minister Ingvar Carlsson ended his official visit to China and left here this evening by plane for home via Hong Kong.

Before he left, Qian Yongchang, minister of communications, conveyed a telephone greeting to Carlsson from Premier Zhao Ziyang. Zhao expressed delight at the success of Carlsson's visit and welcomed him and his wife to come to China again.

Carlsson said that he would make efforts to strengthen the cooperation between China and Sweden.

This morning Carlsson and his wife left for Wuxi by train in the company of Qian and there attended the opening ceremony of a Sino-Swedish joint venture enterprise.

The company, the Sino-Swedish Pharmaceutical Corporation, uses high technology from Sweden and will produce for export.

Carlsson said at the opening ceremony that the speedy completion of the project showed the degree of friendly cooperation between the two countries.

QIAO SHI MEETS SAN MARINO COMMUNIST DELEGATION

OW081912 Beijing XINHUA in English 1725 GMT 8 Apr 87

[Text] Beijing, April 8 (XINHUA) -- Qiao Shi, a member of the Political Bureau and the Secretariat of the Chinese Communist Party Central Committee, held talks here today with a delegation from the Communist Party of San Marino headed by Secretary General Gilberto Ghiotti.

They exchanged views on the strengthening of the friendly relations between the two parties, the development of the friendship between the two peoples and issues of common concern in a friendly atmosphere.

Qiao reiterated China's willingness to further the friendly relations between the two parties on the basis of the four principles concerning the relationship between parties, namely, maintaining independence, complete equality, mutual respect and noninterference in each other's internal affairs.

He also briefed the guests on China's present political and economical situation, saying that politically China is now stable and united, and China's economy is enjoying steady development and the economic reform is deepening. Meanwhile, China is studying how to carry out reform of the political structure.

Ghiotti briefed Qiao on his country's internal situation, the policies of the Communist Party of San Marino and the party's work. On international issues, Ghiotti reiterated the stand of the Communist Party of San Marino on maintaining world peace and developing cooperation with people worldwide.

After the talks, Qiao held a banquet in honor of the guests.

The delegation arrived here at noon today at the invitation of the Chinese Communist Party.

ANALYSIS ON WEST EUROPE'S 'MIXED FEELINGS' ON ARMS

0W051658 Beijing XINHUA in English 1651 GMT 5 Apr 87

[*"News Analysis: Western Europe Showing Mixed Feelings Towards Nuclear Weapons (by Xia Zhimian)" — XINHUA headline*]

[Text] Bonn, April 4 (XINHUA) -- Western Europe is showing mixed feelings towards nuclear weapons. It insists on their presence as a deterrent on the one hand and on their elimination on the other.

West European leaders have been stewing over how to react to Soviet leader Mikhail Gorbachev's suggestion to remove medium-range missiles from Europe, since the proposal was made on February 28. The Soviet Union has retracted its longstanding demands that the withdrawal of medium-range missiles from Europe be linked to the U.S. Strategic Defense Initiative program, known as "Star Wars".

West European leaders want to see the total withdrawal from Europe of American and Soviet Pershing-2 missiles, cruise missiles and SS-20 missiles. However, if these missiles are indeed removed from Europe, Soviet superiority in short-range missiles and chemical and conventional weapons could pose a threat to the security of Western Europe.

Western Europe does not wish to abandon its nuclear deterrent, saying it has guaranteed peace on the continent for more than 40 years since World War II. Western European nuclear weapons are necessary to maintain a balance with Soviet superiority in conventional weapons.

To alleviate the Western European concerns, the United States has specified that following a U.S.-Soviet agreement on the elimination of medium-range missiles, Washington and Moscow must pursue negotiations and set a mutual ceiling on short-range missiles.

The two superpowers will have to decide whether Moscow will take the initiative to reduce its superiority in short-range missiles or Washington will catch up with Moscow in that field.

The United States is reportedly considering shortening the range to 800 kilometers of its 108 Pershing-2 missiles in Federal Germany, and is selecting short-range missiles for deployment in Western Europe. The U.S. move has also worried Western Europe, which is afraid that Washington's option would stifle the disarmament process, because the mutual ceiling, another package deal, would link medium-range missiles with short-range missiles.

It is not the hope of Western Europe to keep the U.S. Pershing-2 missiles, or increase U.S. short-range missiles in Western Europe.

British Prime Minister Margaret Thatcher recently met with President Francois Mitterand of France and Chancellor Helmut Kohl of Federal Germany to discuss medium-range missiles in preparation for Thatcher's five-day visit to the Soviet Union which began March 28. The West European leaders expressed their hope to eliminate medium-range missiles in Europe while calling on the United States and the Soviet Union to continue negotiations on short-range missiles. They stressed that Western Europe would be faced with Soviet superiority in conventional and chemical weapons once medium-range missiles were withdrawn from Europe. Although West European leaders want to see the reduction of nuclear weapons in Europe, they cannot comply with their total elimination.

I. 13 Apr 87

CHINA
PRC NATIONAL AFFAIRS

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FIFTH SESSION OF SIXTH NPC HOLDS CLOSING MEETING

Top Leaders Attend

OW110838 Beijing XINHUA in English 0823 GMT 11 Apr 87

[Text] Beijing, April 11 (XINHUA) -- The Fifth Session of the Sixth National People's Congress (NPC) closed here this afternoon after 18 days of discussion and deliberation. Peng Zhen, chairman of the NPC Standing Committee, attended the closing ceremony which was presided over by Chen Pixian, vice-chairman of the NPC Standing Committee.

Among those present at today's meeting were Zhao Ziyang, Li Xiannian, Deng Yingchao, Ulanhu, Wan Li, Xi Zhongxun, Fang Yi, Tian Jiyun, Qiao Shi, Li Peng, Yang Shangkun, Yang Dezhi, Wu Xueqian, Yu Qiuli, Hu Qiaomu, Hu Qili, Yao Yilin, Ni Zhifu, Qin Jiwei, Chen Muhua, Deng Liqun and Wang Zhaoguo.

The session adopted a resolution endorsing the report on the work of the government delivered by Premier Zhao Ziyang on behalf of the State Council and expressing satisfaction with the State Council's work in the past year. The session also adopted resolutions on the 1987 plan for the national economic and social development, on the implementation of the state budget for 1986 and the state budget for 1987, and on work reports by the NPC Standing Committee, the Supreme People's Court and the Supreme People's Procuratorate respectively. A total of 2,674 deputies attended today's meeting.

The resolution on the Government Work Report says the NPC session held that the situation as a whole in 1986 was good, which was characterized by nationwide stability and unity, sustained economic development and thriving of the cause of socialism.

The session agreed on the two major tasks set forth by Premier Zhao Ziyang in his report for the Chinese people to strive to accomplish at present, namely, in the economic field extensively carry out the campaign to increase production and practise economy, raise revenue and reduce expenditure, deepen the structural reform, open the country wider to the outside world and greatly expand the productive forces so as to ensure a stable, sustained growth of the entire national economy; and in the political field, uphold the four cardinal principles, resolutely combat bourgeois liberalization, strengthen the buildup of socialist culture and ideology and further consolidate and develop political stability and unity.

The resolution says the session maintained: "In the course of China's progress, there exist many difficulties and problems as well as shortcomings in the work. We must do the work well in a down-to-earth manner so as to consolidate and develop the current excellent situation."

The session called on the nation to develop planned commodity economy on the basis of maintaining the socialist public ownership, earnestly place agriculture, especially grain production, in a strategic position in the development of the national economy, further change the over-extended construction scale and irrational investment pattern, resolutely correct unhealthy tendencies, oppose extravagance and waste, overcome bureaucracy and uphold the principles of hard struggle, self-reliance and building up the country and doing things thrifitily, continue to improve the living standards of the people on the basis of developed production, strive for a basic balance between the total demand and supply, and ensure a growth rate of people's income not lower than that of price hike.

The resolution says that the session was satisfied with the work of the Chinese Government in settling the question of Macao and the initialling of the Sino-Portuguese Joint Declaration on the Question of Macao. The session expressed the hope that compatriots in Hong Kong, Macao and Taiwan as well as Overseas Chinese will continue to work together with the people on the mainland for the peaceful reunification of the motherland.

Today's meeting adopted a resolution authorizing the NPC Standing Committee to examine and approve the Sino-Portuguese Joint Declaration on the Question of Macao after it is officially signed by the Chinese and Portuguese Governments.

It also passed a decision on the number and election of deputies to the Seventh National People's Congress, which provides that the number of deputies to the Seventh NPC will remain the same as the Sixth NPC, namely, 2,978. The new deputies should be elected before the end of January 1988 and the numbers of deputies from various provinces, autonomous regions, municipalities, the People's Liberation Army, minority nationalities and Overseas Chinese shall be the same as in the Sixth NPC.

The meeting adopted in principle the Draft Organic Law of Villagers' Committees and authorized the NPC Standing Committee to promulgate it for trial implementation after deliberation and revision in the light of the national Constitution and suggestions raised by NPC deputies at the current session.

The meeting also decided on the appointments and removals of the ministers in three ministries and one commission under the State Council, and elected five additional members of the NPC Standing Committee.

Villagers' Committee Law Adopted

OW110753 Beijing XINHUA in English 0737 GMT 11 Apr 87

[Text] Beijing, April 11 (XINHUA) — An organic law of the Villagers' Committee of the People's Republic of China (draft) was adopted in principle at the Fifth Session of the Sixth National People's Congress (NPC) which closed here today.

The session authorized the NPC Standing Committee to make further investigation and study and revise the version in the light of the principles outlined in the national Constitution, and suggestions put forward by NPC deputies at the current session before it promulgates the law for trial implementation.

The organic law provides specific provisions concerning the nature of and tasks for the villagers' committee, its relationship with the township people's government, the size, organization and operation funds of the committee as well as the election procedures and the tenure of committee members.

According to the Constitution, the villagers' committee will be a self-governing organization at the grass-roots level in rural China.

Before submitted to the current NPC session for deliberation, the law, or the then draft regulations, had been put to the 19th and 20th meetings of the Sixth NPC Standing Committee held in January and March this year for examination and deliberation.

Members of the Standing Committee maintained that the law involves the 800 million peasants and is imperative to the improvement of socialist democracy in rural China.

During the current NPC session, the regulations were made an organic law according to suggestions put forward by many deputies.

At the same time, deputies voiced many suggestions for further revision of the law concerning the relationship between the villagers' committee and the township people's government as well as subsidies to committee members and operation funds of the committee.

Villagers' committees were first set up in 1982 in China. The work was completed by February 1985, with nearly 950,000 such committees established in the rural areas.

The committee is usually made of three to five people who are directly elected by the villagers. One committee takes care of some 250 households with a total of about 1,000 people.

Surveys in some provinces, municipalities and autonomous regions show that the committees have played an important role in handling public affairs and social welfare undertakings in the villages, in mediating disputes, maintaining public order and putting forward the villagers' opinions, demands and suggestions to the people's governments at various levels.

The committees have also helped protect the legitimate rights and interests of the villagers and guide them to perform their legal duties. The committee is responsible for and reports its work to the villagers' conference. Matters involving the interests of all the villagers must be discussed and decided by the conference.

Four New Ministers Appointed

OW110826 Beijing XINHUA in English 0812 GMT 11 Apr 87

[Text] Beijing, April 11 (XINHUA) -- Four new ministers were appointed by China's Sixth National People's Congress (NPC), the country's highest legislative body, as its fifth session ended here today.

Wang Fang, former secretary of the Zhejiang Provincial Committee of the Chinese Communist Party (CPC), succeeds Ruan Chongwu as minister of public security. Chen Minzhang becomes minister of public health, replacing Cui Yueli. Zeng Xianlin replaces Yang Bo to become minister of light industry. Li Tieying becomes the minister in charge of the State Commission for Restructuring Economic System, a post previously held concurrently by Premier Zhao Ziyang.

These appointments and removals were decided upon at the suggestion of Premier Zhao Ziyang.

Wang Fang, a native of Xintai City, Shandong Province, served as director of the Hangzhou City Public Security Bureau, head of the Public Security Department of Zhejiang Province and vice governor of Zhejiang Province.

Chen Minzhang, a native of Hangzhou City, Zhejiang Province, was a physician in Shanghai and Beijing and served as vice-president of the Chinese Capital Medical Science University, director of the capital hospital and of the Institute of Clinical Medicine, and vice-minister of public health. Long engaged in medical studies and clinical work, Chen is a medical specialist known both at home and abroad.

Zeng Xianlin, a native of Anyue County, Sichuan Province, worked in Beijing and Dalian machine tool plants as deputy chief engineer and deputy plant director. He served as director of the Beijing Institute of Machine Tools under the Chinese Ministry of Machine-building Industry, and vice-minister of the State Science and Technology Commission and concurrently vice-minister of the State Planning Commission.

Li Tieying, a native of Changsha City, Hunan Province, studied solid-state physics in Prague, Czechoslovakia, and served as deputy director of the Science and Technology Committee of Shenyang City, secretary of the CPC Shenyang City Committee and of the CPC Liaoning Provincial Committee, and minister of electronics industry. He is a member of the 12th CPC Central Committee.

Five Committee Members Elected

OW110828 Beijing XINHUA in English 0812 GMT 11 Apr 87

[Text] Beijing, April 11 (XINHUA) -- Five new members of the Standing Committee of the National People's Congress (NPC), China's highest legislative body, were by-elected [as received] at its fifth session which ended here today, bringing the total number of the Standing Committee members to 155.

They are Wang Jinling, Ye Duzheng, Yi Meihou, Cai Zimin and Yan Jinsheng.

A native of Xuzhou, Jiangsu Province, Wang Jinling is a now professor at the Northeast China Agricultural College, a Standing Committee member of the Central Committee of the China Democratic League and a vice-chairman of the Standing Committee of the Heilongjiang Provincial People's Congress.

A native of Anqing, Anhui Province, Ye Duzheng is now a special advisor to the Chinese Academy of Sciences and served as a vice-president of the academy.

A native of Chenghai County, Guangdong Province, Yi Meihou is now a vice-chairman of the All-China Federation of Returned Overseas Chinese, a vice-chairman of the Standing Committee of the Guangdong Provincial People's Congress and the chairman of the Guangdong Provincial Federation of returned Overseas Chinese.

A native of Zhanghua in Taiwan Province, Cai Zimin is now a Standing Council member of the General Office of the Taiwan Democratic Self-Government League.

A native of Chaling in Hunan Province, Yan Jinsheng is now a deputy secretary of the Discipline Inspection Commission under the Central Military Commission.

Adopts Resolution on Zhao Report

OW111235 Beijing XINHUA Domestic Service in Chinese 1146 GMT 11 Apr 87

[Text] Beijing, 11 Apr (XINHUA) — Resolution of the Fifth Session of the Sixth National People's Congress on the Government Work Report

(Adopted by the Fifth Session of the Sixth National People's Congress on 11 April 1987)

After earnest deliberation, the Fifth Session of the Sixth National People's Congress decided to endorse the report on the work of the government delivered by Premier Zhao Ziyang on behalf of the State Council, and expressed satisfaction with the State Council's work in the past year.

The session held: The year 1986 was one in which the nation began to implement the Seventh 5-Year Plan and scored marked achievements, and a year in which the people of all nationalities throughout China continued to triumphantly forge ahead along the path of building socialism with distinct Chinese characteristics, under the leadership of the Communist Party of China. The situation was characterized by nationwide stability and unity, sustained economic development, and the thriving of the cause of socialism. The situation as a whole was good. This was a result of the joint efforts and hard work of the people of all nationalities throughout the country. Many difficulties and problems, as well as shortcomings in the work on China's road of advance, still exist. We must do our work in a down-to-earth manner to consolidate and develop the current excellent situation.

The session agreed on the basic current task of the people of China face — a task put forward by Premier Zhao Ziyang. That is, we must concentrate our efforts on paying attention to two major issues: 1) In the economic field, we must adhere to the correct orientation in construction, and extensively carry out the campaign to increase production and practice economy, raise revenue and reduce expenditure; deepen structural reform; open the country wider to the outside world; and strive to ensure stable, sustained growth of the entire national economy. 2) In the political and ideological field, we must extensively give publicity to, and carry out education work in, upholding the four cardinal principles, resolutely combat bourgeois liberalization, strengthen socialist spiritual civilization, and further consolidate and develop the political situation characterized by stability and unity.

The session holds that paying attention to these two major tasks is of great immediate importance and profound historical significance in attaining the objectives of China's socialist modernization program, enhancing China's economic strength, and improving the people's interests and benefits. The governments at all levels and all trades and professions should make solid progress in their work in the interests of these two tasks.

The session demands: It is essential to concentrate on developing the productive forces, develop a planned commodity economy on the basis of maintaining socialist public ownership, and continue to strengthen and improve macroeconomic management and control of the national economy. It is necessary to earnestly plan agriculture, especially grain production, in a strategic position, and strive to strengthen the basis for further agricultural development. It is necessary to act according to the objective economic law that the scale of construction should suit our national strength, and further change the over-extended construction scale and irrational investment pattern. We should continue to prevent the tendency of blindly seeking an excessively high rate of economic growth, and strive for a basic balance between total demand and supply.

Focusing at perfecting the operating mechanism of enterprises, we should continue to promote reform of the economic structure, further invigorating enterprises and improving their economic efficiency. On the basis of self-reliance, we should open more to the outside world and strive for new achievements in effectively using foreign capital, introducing advanced foreign technology, and increasing export and foreign exchange income. We should resolutely correct unhealthy tendencies, oppose extravagance and waste, and overcome bureaucracy. We should uphold the principle of hard struggle, self-reliance and building up the country, and doing things diligently and thrifitily. We should continue to improve the living standards of the people, on the basis of developed production. At the same time, we should do a good job in family planning, and resolutely control population growth. We should carry out reform of the pricing system in a prudent and careful way, and strive to ensure a growth rate of the people's income not lower than that of price hikes.

The session holds: It is necessary to systematically strengthen socialist democracy and the socialist legal system under leadership. We should strictly act according to law, and uphold the principle of everyone being equal under the law. This principle is an important guarantee for the building of socialist material and spiritual civilization.

The session holds that the settlement of the Macao question, following that of the Hong Kong question, is of great significance to an overall realization of the great cause of the motherland's reunification, in accordance with the formula of "one country, two systems." The session is satisfied with the work of the government in settling the question of Macao and the initialling of the Sino-Portuguese Joint Declaration on the question of Macao. The session hopes that compatriots in Hong Kong, Macao, and Taiwan, as well as Overseas Chinese, will continue to work together with the people on the mainland for the peaceful reunification of the motherland.

The session calls on the workers, peasants, intellectuals, and cadres of all nationalities, the PLA, the people's police, democratic parties, mass organizations, and nonparty democrats throughout the country, as well as all working people and patriots who love the socialist motherland, to work with one heart and one mind under the CPC leadership, uphold the four cardinal principles and the policy of reform, opening to the outside world and invigorating the domestic economy, carry forward the fine traditions of hard struggle and building the country diligently and thrifitily, and strive to consolidate and develop stability and unity throughout the country, maintain long and steady economic development, and build socialism with Chinese characteristics.

Adopts 1987 Economic Plan

OW111243 Beijing XINHUA Domestic Service in Chinese 1202 GMT 11 Apr 87

[Text] Beijing, 11 Apr (XINHUA) -- Resolution of the Fifth Session of the Sixth National People's Congress on the 1987 National Economic and Social Development Plan.

(Adopted at the Fifth Session of the Sixth National People's Congress on 11 April 1987)

The Fifth Session of the Sixth National People's Congress approves the 1987 National Economic and Social Development Plan submitted by the State Council and the "Report on the Draft Plan of 1987 National Economic and Social Development" made by Song Ping, state councillor and minister in charge of the State Planning Commission.

Adopts Supreme Court Work Report

OW111332 Beijing XINHUA Domestic Service in Chinese '304 GMT 11 Apr 87

[Text] Beijing, 11 Apr (XINHUA) -- Resolution of the Fifth Session of the Sixth National People's Congress on the Work Report of the Supreme People's Court

(Adopted at the Fifth Session of the Sixth National People's Congress on 11 April 1987)

The Fifth Session of the Sixth National People's Congress approved "The Work Report of the Supreme People's Court," made by Zheng Tianxiang, president of the Supreme People's Court, and expressed satisfaction with the work of the Supreme People's Court in the past year.

Adopts Standing Committee Report

OW111333 Beijing XINHUA Domestic Service in Chinese 1301 GMT 11 Apr 87

[Text] Beijing, 11 Apr (XINHUA) -- Resolution of the Fifth Session of the Sixth National People's Congress Regarding the Report on the Work of the NPC Standing Committee

(Adopted by the Fifth Session of the Sixth National People's Congress on 11 April 1987)

The Fifth Session of the Sixth National People's Congress endorsed the report delivered on behalf of the NPC Standing Committee by Vice Chairman Chen Pixian on the work of the NPC Standing Committee, and expressed satisfaction with the work of the Standing Committee since the Fourth Session of the Sixth National People's Congress.

Adopts 1986, 1987 Budgets

OW131355 Beijing XINHUA Domestic Service in Chinese 1313 GMT 11 Apr 87

[Text] Beijing, 11 Apr (XINHUA) -- Resolution of the Fifth Session of the Sixth National People's Congress on the Execution of the 1986 State Budget and the 1987 State Budget

(Adopted at the Fifth Session of the Sixth National People's Congress on 11 April 1987)

In accordance with the Financial and Economic Committee's report which was deliberated on, the Fifth Session of the Sixth National People's Congress approves the 1987 state budget submitted by the State Council and the "Report on the Execution of the 1986 State Budget and on the Draft Plan of the 1987 State Budget" made by Wang Bingqian, state councillor and finance minister. The session authorizes the Standing Committee of the National People's Congress to examine and approve the final accounts for 1987.

Adopts Procuratorate's Report

OW111340 Beijing XINHUA Domestic Service in Chinese 1306 GMT 11 Apr 87

[Text] Beijing, 11 Apr (XINHUA) -- Resolution of the Fifth Session of the Sixth NPC on the Work Report of the Supreme People's Procuratorate

(Adopted at the Fifth Session of the Sixth NPC on 11 April 1987)

The Fifth Session of the Sixth NPC approved the "Report on the Work of the Supreme People's Procuratorate" and expressed satisfaction with the work of the Supreme People's Procuratorate over the past year.

Sino-Portuguese Accord Decision

OW111419 Beijing XINHUA Domestic Service in Chinese 1316 GMT 11 Apr 87

[Text] Beijing, 11 Apr (XINHUA) -- Decision of the Fifth Session of the Sixth National People's Congress on Authorizing the NPC Standing Committee To Examine and Ratify the "Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao"

(Adopted by the Fifth Session of the Sixth National People's Congress on 11 April 1987)

The Fifth Session of the Sixth National People's Congress heard the report delivered by State Councillor and Foreign Minister Wu Xueqian on behalf of the State Council on the initialing of the "Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao."

The session expressed satisfaction with the work of the Chinese Government in settling the question of Macao and with the report delivered by State Councillor and Foreign Minister Wu Xueqian.

In view of the fact that the "Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao" involved the establishment of a special administrative region and its system, the decision should be made by the National People's Congress, in accordance with Article 31 and Article 62 of the "Constitution of the People's Republic of China." The session decided to authorize the NPC Standing Committee to examine and decide on ratification of the "Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao" after the declaration is formally signed by the Governments of China and Portugal.

7th People's Congress Election

OW111514 Beijing XINHUA Domestic Service in Chinese 1421 GMT 11 Apr 87

[Text] Beijing, 11 Apr (XINHUA) -- Decision of the Fifth Session of the Sixth National People's Congress on the number and election of deputies to the Seventh National People's Congress.

(Adopted by the Fifth Session of the Sixth NPC on 11 April 1987)

The Fifth Session of the Sixth National People's Congress has adopted the following decision concerning the number and election of deputies to the Seventh National People's Congress:

1. The number of deputies to the Seventh National People's Congress shall be 2,978, the same as that of the Sixth National People's Congress.
2. The number of deputies to the Seventh National People's Congress to be elected by all provinces, autonomous regions, and municipalities; the Chinese People's Liberation Army; minority nationalities; and Overseas Chinese shall be the same as those to the Sixth National People's Congress.
3. Election of deputies to the Seventh National People's Congress by all provinces, autonomous regions, and municipalities, and the Chinese People's Liberation Army should be completed before the end of January 1983.

TV Carries Video Report

OW111413 [Editorial Report] Beijing Television Service in Mandarin at 1100 GMT on 11 April, in its "National News Hookup" program, carries a 6.5-minute video report on the closing of the Fifth Session of the Sixth NPC on the same day at the Great Hall of the People.

The report opens with long shots of deputies filing into the Great Hall of the People and talking informally with one another, then cuts to long shots of Peng Zhen, Li Xiannian, Zhao Ziyang, Chen Pixian, and others walking to their seats on the rostrum.

According to the report, Chen Pixian presides over today's meeting. He is seen seated to the left of Peng Zhen in the front row while behind them, in the second row, are seated Zhao Ziyang, Li Xiannian, and Ulanhu, from left to right. Vice Chairmen of the NPC Standing Committee Wei Guoqing, Peng Chong, Zhu Xuefan, Banqen Erdini Qoigyi Gyancan, Zhou Gucheng, Rong Yiren, Liao Hansheng, Chu Tunan, Geng Biao, Wang Renzhong, Ngapoi Ngawang Jigme, Seypidin Aizezi, Yan Jici, Ye Fei, and Huang Hua are seated in the front row. Camera shows medium shots of Wan Li, Deng Yingchao, Xi Zhongxun, Fang Yi, Tian Jiyun, Qiao Shi, Li Peng, Yang Shangkun, Wu Xueqian, Hu Qiaomu, Hu Qili, and Yao Yilin seated from right to left in the second row left of center of the rostrum. Yang Dezhi, Yu Qiuli, and Wang Zhaoguo are also seen seated in the second row right of center of the rostrum. Video shows Peng Zhen, Chen Pixian, Zhao Ziyang, Li Xiannian, Ulanhu, Yang Dezhi, Yu Qiuli, and deputies raising hands, apparently voting on the motions. At one point, as the announcer says: "The meeting approves, in principle, the Draft Organic Law of the Villagers' Committee," the video shows a screenful of attendees raising their hands, with the exception of two rows of about six or seven people.

XINHUA COMMENTARY ON 'UNPRECEDENTED' NPC SESSION

OW111122 Beijing XINHUA in English 1106 GMT 11 Apr 87

[Commentary: Democratic, United Congress by Senior Editor Zhong Shu" -- XINHUA headline]

[Text] Beijing, April 11 (XINHUA) -- The Fifth Session of the Sixth National People's Congress came to an end today, but the atmosphere of democracy prevailing at the session, which was described as "unprecedented", has left a lasting impression.

Little doubt now remains in the minds of the people that China's legislature is exerting an increasingly greater influence in the political, economic and cultural life of the nation and in supervising the work of the government and the state.

People described the session as "a successful congress marked by unity and democracy." This is indeed the most apposite assessment of the congress.

The current session convened shortly after the Chinese Communist Party launched the struggle against bourgeois liberalization within its ranks and in political-ideological sectors.

Some people, and even some deputies had had misgivings about whether this struggle would impede the progress of socialist democracy in China. But the misgivings were soon dispelled as the congress was going on. Just as Zhao Mingxuan, an NPC deputy from northeast China's Liaoning Province who has participated in ten previous sessions said that it turned out to be "a session that was filled with more dynamic atmosphere of democracy than any of the previous sessions."

This may be seen at the lively panel discussions at which deputies voiced their frank criticism of the shortcomings and inadequacies in the government's work and held heated debates on the draft of the organic law regarding villagers' committees submitted to the session for adoption.

While agreeing that the report on government work delivered by Premier Zhao Ziyang is "realistic," they criticized the government for having not taken prompt and effective measures to solve problems in agricultural production, particularly grain production, and for having not paid due attention to carrying forward the fine tradition of building up the country through thrift and hard work.

They showed great concern about the big deficit in 1986 and the long-outstanding problem of overextended capital construction, urging the government to take effective measures to eliminate or at least reduce the deficit, limit prices, put a stop to the import of large numbers of cars and to make efficient use of foreign currency.

Moreover, they asked the government to take more effective measures to promptly tackle such problems as the overlapping of government offices, low work efficiency and bureaucracy and come down sharply on unhealth tendencies, a problem that has been talked about for a number of years but no marked improvements have been made.

Qin Fenglan, a deputy from Liaoning Province and a shop assistant in the provincial capital of Shenyang, said on the first day of panel discussions: "The Government Work Report has not paid close attention to the correction of misconducts. I think this is a serious drawback." Her remarks received not only the approval of other deputies but also the support of the people by letter.

The Government Work Report by Premier Zhao Ziyang has to be revised in accordance with suggestions put forward by deputies, adding such ideas as:

"In recent years, we have been talking less about the principle of building up the country through thrift and hard work. This is a lesson we have to learn."

"Governments at all levels must take the initiative to ask the people's congresses and their standing committees to supervise their work."

"Greater efforts should be made to guarantee sufficient acreage for grain crop production and to increase the per-unit output."

Taking dearly their rights stipulated by the national Constitution, the deputies seriously weighed the draft of the organic regulations on the villagers' committees which was twice discussed by the NPC Standing Committee before it was submitted to the NPC session for deliberation.

While agreeing on the necessity of this law, deputies were locked in heated debates on several major issues involved, including the relationship between the villagers' committee and the township government and the administration expenses of the committee. They raised many suggestions for its revision in the light of actual conditions in rural areas before passing the draft law in principle and authorizing the NPC Standing Committee to promulgate it for trial implementation after its revision based on further investigation and studies and suggestions from deputies.

Commenting on the current session, Sun Jiazheng, a deputy from Jiangsu Province, said the democratic atmosphere at this NPC session shows the quality of the NPC deputies as people's representatives is improving.

Vice-Chairman of the NPC Standing Committee Chen Pixian summed up the session by saying that this year's NPC session is more successful than the previous ones in terms of the outspokenness of the deputies.

Now the deputies are leaving Beijing for their workplaces and will probably leave their posts as NPC deputies when a new congress is elected next year. But the impact they have made on the progress of China's socialist democracy will help make the people real masters of the country.

ZHONGGUO XINWEN SHE REVIEWS NPC SESSION

HK130359 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1342 GMT 11 Apr 87

[Article by reporter Guo Zhaojin (6753 2156 6855): "Democracy, Reforms, Opening Up -- Written at the Closing Ceremony of the Fifth Session of the Sixth NPC"]

[Text] Beijing, 11 April (ZHONGGUO XINWEN SHE) -- The national anthem was played once again in the Great Hall of the People at 1600 sharp today. The Sixth NPC came to a conclusion when all items on the agenda had been completed at its final meeting.

The Fifth Session of the Sixth NPC was a regular session. It was held shortly after China revealed the opposition to bourgeois liberalization with a major reshuffle of leading members in the top echelon; therefore, it has attracted attention from all sides. Apart from reporters originally stationed in Beijing, five countries sent reporters to cover the current session, and the number of Hong Kong and Macao reporters covering the session was nearly double that at previous sessions.

Will China continue its policy of reform and opening up? People would like to learn the answer from the current session.

When the session was close to a conclusion, foreign reporters sent dispatches from Beijing which were distributed all over their countries: "The Chinese Government is working normally."

All foreign, Hong Kong and Macao reporters were invited as visitors to every assembly of the current session. They heard with their own ears the long and sustained applause when Premier Zhao Ziyang announced, in his Government Work Report at the opening ceremony, that China will remain unchanged in six aspects, such as that "the general arrangement of taking modernization of economic construction as the core, concentrating our strength to develop social productive forces, strengthening the building of material and spiritual civilization, and the principle of carrying out all-round reform and opening up to the world, will remained unchanged."

The applause expressed the feelings in the hearts of 1 billion people. It is precisely such strength from the heart that has irreversibly pushed forward China's reform.

The current session has provided the reporters with much greater facilities than in the past. Six press conferences were held for both Chinese and foreign reporters during the session, an increase of two over last year. Zeng Tao, the NPC spokesman, Vice Premiers Yao Yilin, Li Peng, and Tian Jiyun, State Councillor Gu Mu, Li Hou, deputy director of the Office for Hong Kong and Macao Affairs under the State Council, and leading members of the Foreign Ministry, the PLA General Staff Headquarters, and the Legislative Affairs Commission under the NPC Standing Committee separately attended press conferences and answered reporters' questions. In addition, NPC Standing Committee Chairman Peng Zhen was interviewed by Hong Kong and Macao reporters and answered their questions. Altogether 142 questions were put forward by 98 newsmen. The contents have rarely been so rich. Scenes of the question and answer sessions between reporters and officials from all the press conferences were broadcast nationwide through the Central Television Broadcasting Station the same evening. The audience figures for these television programs were extremely high. It is believed that this is great progress for the Chinese media. Students from Beijing University hold the view that the Chinese leaders have done a good job in conducting a successful dialogue with the masses. A foreign reporter commented: The Chinese leaders "have shown an attitude of opening up, which is unprecedented."

It is noticed that, as in previous sessions, the current session has fully embodied democracy. In their speeches at group discussions, the deputies affirmed the government work on one hand; and on the other, they sharply criticized some phenomena of extravagance, waste and bureaucracy. They also complained about financial deficits and price increases. They made many suggestions in deliberating the Organizational Regulations for Village Committees (Draft) and proposed the name change to "Organizational Law for Village Committees." The Presidium Conference adopted the proposal by the people's deputies. At the closing ceremony meeting today, a resolution was adopted that the draft of the law in question was "adopted in principle" at the current session, and the NPC Standing Committee is entrusted to conduct further deliberation and revision before it is promulgated and implemented on a trial basis.

Objections and abstentions were rare among NPC deputies when motions were put to the vote during previous NPC sessions, but at the closing ceremony meeting today, 47 objections and 77 abstentions were cast in the voting on 11 motions. Personalities here believe that this has illustrated that the consciousness of participation in government affairs is continuously strengthening among the deputies in a democratic atmosphere.

NPC, CPPCC SECRETARIATS ISSUE THANK-YOU LETTER

OW121035 Beijing XINHUA Domestic Service in Chinese 1445 GMT 11 Apr 87

[Text] Beijing, 11 Apr (XINHUA) — The Secretariat of the Fifth Session of the Sixth NPC and the Secretariat of the Fifth Session of the Sixth CPPCC National Committee issued a thank-you letter today. The text of the letter is as follows:

The Fifth Sessions of the Sixth NPC and the Sixth CPPCC National Committee have come to a successful conclusion. During the two sessions, leading comrades of the various departments and commissions of the Central Committee, the various ministries and commissions of the State Council, the various general departments of the Military Commission, the various arms and services, the various departments of Beijing Municipality, and the various provincial missions in Beijing, recognizing the importance of the sessions, extended vigorous support in manpower and material, while those comrades directly involved in the work of these two sessions worked very hard to ensure their success. We take this opportunity to extend our heartfelt thanks to all concerned.

The Secretariats of the Fifth Sessions of the Sixth National Peoples Congress and the Sixth CPPCC National Committee. [dated] 11 April 1987.

RENMIN RIBAO EDITORIAL HAILS NPC, CPPCC SESSIONS

OW112000 Beijing XINHUA Domestic Service in Chinese 1520 GMT 11 Apr 87

[Text] Beijing, 11 Apr (XINHUA) — RENMIN RIBAO 12 April Editorial: Fulfill Two Major Tasks Well — Greeting the Conclusion of the Fifth Session of the Sixth NPC and the sixth CPPCC

The Fifth Sessions of the Sixth National People's Congress and the Sixth CPPCC National Committee have come to a close. In accordance with its scheduled agenda, the Fifth Session of the Sixth NPC examined and approved the Government Work Report, the 1987 state plan and budget, and other reports; examined and approved in principle the "Organic Law (Draft) of Villagers Committees"; and examined and approved a decision on the number and election of deputies to the Seventh National People's Congress. The Fifth Session of the Sixth CPPCC National Committee also successfully fulfilled its scheduled tasks. In a democratic, harmonious, and lively atmosphere of unity, the sessions offered many criticisms and suggestions concerning the work of the government, the NPC, and the CPPCC; and the sessions were very successful.

In his Government Work Report, Premier Zhao Ziyang said: "We must concentrate our efforts on two major tasks during the year between the current NPC session and the next NPC session. First, in the economic field, we must adhere to a correct policy on construction, extensively carry out the campaign to increase production and revenues and conserve resources and expenditures, deepen the structural reform and expand the opening to the outside world, and strive to ensure a sustained and stable growth of the national economy as a whole. Second, in the political and ideological field, we must conduct in-depth education in upholding the four cardinal principles, firmly oppose bourgeois liberalization, intensify the building of socialist spiritual civilization, and further consolidate and develop political stability and unity."

It is the opinion of NPC deputies and CPPCC members that these two major tasks, which are in line with the current situation in China and its needs for long-range development, are the correct policies for running the country, and thus must be carried out earnestly. Over the recent months, the party Central Committee has repeatedly stressed that there are two basic aspects in the line of building socialism with Chinese characteristics pursued since the 3d Plenary Session of the 11th CPC Central Committee. One is upholding the four cardinal principles; and the other, the implementation of the policies of reform, opening to the outside world, and invigorating the economy. These two aspects are supplementary to each other and neither is dispensable. The two major tasks have been put forward in accordance with these two basic aspects of the line pursued since the 3d Plenary Session of the 11th CPC Central Committee, after summing up the experience in recent years, and in the light of actual conditions of China's current economic and political life. To fulfill the two major tasks in the next 12 months, or an even longer period of time, essentially means to steadfastly and comprehensively implement the line since the 3d Plenary Session of the 11th CPC Central Committee. If you really support the line since the 3d Plenary Session of the 11th CPC Central Committee, you must support the two major tasks. If you truthfully agree to the two basic aspects of this line, you must try your utmost to fulfill the two major tasks. It is from this high plane that comrades on all fronts, trades, and professions should perceive the significance of the two major tasks.

In carrying out the first major task, it is necessary to further implement the policies of reform, opening to the outside world, and invigorating the economy, focused on economic construction. Over the past 8 years, we have scored remarkable achievements and accumulated much experience in our economic construction. However, we have also made all kinds of errors, including some frequently occurring, common, and obstinate errors, such as an excessively large scale of investment in fixed assets, drastic increase in consumption funds, and aimless pursuance of overly high growth rate, which should not be treated lightly. Therefore, it is imperative to penetratingly understand and earnestly implement the principles put forth in the Government Work Report for ensuring a long-term stable development of the national economy. Special attention must be paid to the campaign to increase production and revenues and conserve resources and expenditures, which, for a long time, has been an important magic weapon for successfully carrying out the economic construction. During the new historical era, we must carry forward the fine tradition of working hard and building up the country and managing every undertaking thrifitily; and, in close coordination with the economic structural reform, conduct the campaign to increase production and revenues and conserve resources and expenditures in an extensive, penetrating, and sustained manner so as to ensure greater results from the campaign. While adhering to the correct policy on construction, we must redouble our efforts, deepen the economic structural reform, and open wider to the outside world with perseverance and in a pioneering spirit, thereby continuously building up our strength for developing social productive forces.

In fulfilling the second major task, we must further adhere to the correct political principles and direction. The four cardinal principles are the cornerstones on which our country is founded and run, and they are the basic guarantee for smoothly carrying out the socialist modernization drive. The ideological trend of bourgeois liberalization, which attempted to break away from the party's leadership, negate the socialist system, and advocate the capitalist system, is against the vital interests of the people of all nationalities in China. Therefore, we must take a clearcut stand in opposing bourgeois liberalization. The fundamental purpose of opposing bourgeois liberalazation is to rally, even more closely, people of all nationalities throughout the country to do an even better job in carrying out overall reform, in opening to the outside world, and in building socialism with Chinese characteristics more successfully on the basis of upholding the four cardinal principles.

To this end, the party Central Committee has adopted a series of correct principles and policies to resolutely avoid repeating the past "leftist" practices and to avoid the struggle being abandoned halfway. After the struggle against bourgeois liberalization was launched, quite a few people worried that the party's rather popular policies would change. Along with the healthy development of the struggle, more and more people have begun to dispel their misgivings. In his Government Work Report, Premier Zhao Ziyang reaffirmed with all seriousness: "Throughout the process of combating bourgeois liberalization, our general plan of pooling our resources to develop social productive forces and intensifying socialist material and spiritual construction around our central task of building a modern economy will remain unchanged. Nor will these be changed: The principle of carrying out the overall reform and opening to the outside world; the current policies for rural and urban areas; the principles and policies for consolidating and developing the patriotic united front; the principle of continuing to advocate 'letting a hundred flower blossom and a hundred schools of thought contend,' and the policy of respecting knowledge and proficient personnel and giving full play to the role of intellectuals. Not only will they remain unchanged, but they will also be upheld more correctly and effectively on a long-term basis." The central authorities' arrangements and policies on combating bourgeois liberalization reflect the aspirations of the hundreds of millions of people, and have received the heartfelt support from the deputies and the members. To continue to do things according to the party Central Committee's principles and policies is an important guarantee for fulfilling the major task in the political and ideological field.

The two major tasks conform with the conditions in China as well as the feelings of its people. As pointed out in the resolution on the Government Work Report adopted by the Fifth Session of the Sixth NPC, paying close attention to the two major tasks is of great immediate significance and far-reaching historical influence on the accomplishment of China's socialist modernization drive, increase of its economic strength, and promotion of its people's benefit. Governments at all levels and all trades and professions must earnestly promote the work in all fields centering on the two major tasks.

While the sessions were being convened, the Governments of the PRC and the Republic of Portugal initiated a joint statement on the Macao issue in Beijing. The joint statement, which declares that the Chinese Government will resume the exercise of sovereignty over Macao on 20 December 1999, added good tidings to the sessions. A decision adopted by the Fifth Session of the Sixth NPC has authorized its Standing Committee to examine and decide on the ratification of the joint statement on the Macao issue after it is formally signed by the Chinese and the Portuguese Governments. The successful settlement of the Macao issue is another important historical event following the solution to the Hong Kong issue. It marks another step forward in our great cause of motherland reunification, and is another proof of the strong vitality of the principle of "one country, two systems."

The course of history shows that under CPC leadership, the Chinese Government and people are capable of solving not only complicated problems left over from history but also complex new problems in the socialist modernization drive. To proceed from the reality in China in building socialism with Chinese characteristics is an unprecedented great undertaking and, of course, is not without difficulties and setbacks. However, so long as the people of all nationalities across the country are united as one and steadfastly advanced along the direction guided by the party Central Committee, we will definitely achieve our magnificent goal.

XINHUA PRAISES OPENNESS EVIDENCED BY NPC, CPPCC

OW110735 Beijing XINHUA Domestic Service in Chinese 1126 GMT 10 Apr 87

[Text] Beijing, 10 Apr (XINHUA) -- Commentary: China Opens Its Arms to the World

By XINHUA reporter Guo Lingchun

The six press conferences for Chinese and foreign reporters preceded by the appearance of three vice premiers as well as the meetings and question-answer briefings held by highest-level leaders and noted CPPCC figures for reporters inspired the journalists both at home and from abroad who came to cover the "two sessions." The lengths of these gatherings, the numbers of people involved, and the depth of the questions dealt with all surpassed similar meetings held in previous years. They opened the door for journalists to probe the ins and outs of the personnel reshuffle in our country and look at the trends of political and economic developments on Chinese soil.

The extent of openness was beyond the expectations of some ladies and gentlemen. Besides the questions of government work, economic development, the legal system, special economic zones, and the Hong Kong and Macao issues, which are always major items on the agenda, the reporters focused their attention on the two vice foreign ministers who met with them. A deputy chief of general staff also appeared before the cameras to answer questions about the trend of our national defense work, including the reduction of troops. The conversations between Premier Zhao Ziyang and public figures from Hong Kong and Macao drew attention at home and abroad. The meeting Chairman Peng Zhen held with reporters touched on acute and sensitive questions often discussed by certain people in Hong Kong and Macao. Ladies and gentlemen could see the strides made by our country in the course of advance by looking at its various profiles, just as the video camera could cover the activities in the meeting hall from different angles. The authoritative persons sat before you, smiling and ready to answer your questions. It seemed as if they were announcing that China had opened its arms to the world.

The scenes of major press conferences and meetings were televised after only 1 or 2 hours. Those interested in the press conferences and meetings could make their own judgments from what they saw on the television screen.

A Hong Kong reporter said with excitement that this was the "high tide" in his year of covering various events in the hinterland.

Frankness and calmness -- this was manifested in the leaders' manner and words, from which the sharp-sighted reporters saw the relaxed feelings of the Chinese these days. The diplomatic rhetoric of "no comment" was only occasionally heard. In general, questions were answered. Moreover, achievements were not exaggerated and mistakes were not covered up. Speculations that the struggle against bourgeois liberalization had made people overcautious and that "compression of consumerism" in the economic field had produced a certain kind of dismay were denied here.

To reporters, nothing is more important than seeking substantive proof. At the press conference and meetings, the reason for Comrade Hu Yaobang's resignation, the assessment of the previous student unrest, and the prospect of Sino-Soviet talks were all stated openly.

A reporter was "exceptionally satisfied" with the fact that such important figures as the foreign exchange reserve and foreign debts were released to the public. Another reporter, who did not ask his question about such figures but got the answer when the same question was asked by the first reporter at the vice premiers' press conference, said that he "gained advantage effortlessly." Now let us see some of the comments made by experienced foreign reporters: "Yao Yilin is a quick thinker and has a good ability to summarize matters." "Mr Li Peng gave very appropriate answers to sensitive questions." Tian Jiyun's answers about the economic situation and economic structural reform were "analytical" and "of great value", and "clarified many questions."

Does the comment made by a BALTIMORE SUN reporter represent the journalists' assessment of China's current situation? He said: "The vice premiers' press conference has become increasingly open and the questions are discussed more and more thoroughly with each passing year. This reflects China's emphasis is opening to the outside world and conducting reform."

In looking forward to the future, some foreign people still cannot free themselves from doubts. For example, those foreign businessmen who still have concerns want to see more. "In that case, please see more," answered State Councillor Gu Mu. Standing before the world's people is a China that will not change its national policy of openness and reform, that knows its inadequacies but is full of vigor, and that is, therefore, opening its arms to the world.

HU REPORTED TO LOSE STANDING COMMITTEE SEAT

HK110740 Hong Kong CHIEH FANG YUEH PAO in Chinese No 4, 11 Apr 87 p 8-10 (tentative)

[*"Gossip"* by special China reporter: "Under-the-Table Deal on Hu Yaobang's Reappearance"]

[Text] Although the ongoing Fifth Session of the Sixth NPC will still go on for several days in Beijing, there will be nothing special to be seen. In fact, the most interesting part of the meeting is the appearance of Hu Yaobang at the opening ceremony. Before the meeting, Chinese and foreign commentators mostly commented on how the meeting would work out the economic policy and on clues for the choice of a premier. Nobody had expected that Hu Yaobang would make his appearance because those purged on the CPC stage have at a minimum lost all standing and reputation. Who can stage a comeback without a great upheaval?

Painstaking Arrangements for Hu's Appearance [subhead]

For this reason, when on 25 March Hu Yaobang, dressed in a Western suit, appeared on the NPC rostrum in fairly good spirits, not only did many reporters incessantly use their camera flashes and the NPC deputies raised their heads or stood on tiptoe in order to have a good look, but Beijing residents also demonstrated their rare curiosity. In recent days, when people were chatting, we can often hear the words: "Hu Yaobang has made his appearance."

In fact, Beijing media gave very limited coverage of Hu Yaobang's appearance. Hu briefly appeared on the television screen; RENMIN RIBAO put his name only in the list of those "also present at the rostrum" and there was nothing more. However, some observant people still noted that with the exception of Zhao Ziyang, he was the only CPC big shot attending the current NPC meeting. [paragraph continues]

Therefore, his name was placed first on the list and his title was "Hu Yaobang, member of the Standing Committee of the Political Bureau of the CPC Central Committee."

There is a delicate difference between this and the explanation given to reporters by NPC Deputy Secretary General Zeng Tao the day before. Zeng said only that as an NPC deputy, it was of course a good thing that Hu had been elected a member of the presidium and would attend the meeting. He did not mention that Hu would attend the meeting in the capacity of a member of the Standing Committee of the Political Bureau.

But Hu Yaobang could no longer be seen in the next few days' meetings. Needless to say, Hu's appearance had been painstakingly arranged.

Deng Xiaoping Attaches Importance to Overseas Reaction [subhead]

Why was it necessary to arrange for Hu's appearance? Who had made the arrangements?

According to an informed source who did not want to disclose his identity, the director was naturally Deng Xiaoping but the idea came from others.

After the unfolding of the movement to oppose bourgeois liberalization, Deng reportedly was not worried that the economy would be affected, nor was he worried about the growing strength of the opposing faction. However, he cannot but take into consideration overseas reaction though he did not say it. It is reported that in a letter to Deng Xiaoping, a noted overseas academic questioned the formulation of "limiting opposition to bourgeois liberalization within the party." He said that if it is really limited within the party, it should not be conducted openly but should be conducted behind closed doors within the party. If it is conducted openly and publicized all day in the media, it has spread outside the party. The academic also pointed out: As a party in power, the CPC has always stressed the need to maintain close ties with the masses. How can the practice of making party members the targets of criticism have nothing to do with the masses? Take Liu Binyan as an example. His many problems involved quite a number of people outside the party. How can this be restricted within the party?

Since Fang Lizhi and two other intellectuals were expelled from the party, uneasiness in the country's intellectual circles has been repeatedly reported to Zhongnanhai and Deng Xiaoping has repeatedly drawn a clear line of demarcation in the policy of opposing bourgeois liberalization and pacified people through Zhao Ziyang. However, people's reaction was that they wanted to see action. This is because in previous movements, and even in the Mao Zedong era, the party always stressed the need to pay attention to policies and to reduce the scope of attack but it got out of control as soon as the movements started. For this reason, sentiments of the intellectuals have not returned to normal and protests and dissatisfaction from overseas are still growing.

"Stay at a Respectful Distance From Someone, Bear It Even If It Hurts" [subhead]

On the other hand, the restoration faction (namely, taking the 1950's as the blueprint in running the state) headed by Peng Zhen and Hu Qiaomu is taking advantage of Hu Yaobang's ouster to expand their victory. In early February, Zhu Renzhi, deputy editor in chief of HONGQI, replaced Zhu Houze as head of the Propaganda Department of the CPC Central Committee. [paragraph continues]

This was one of their most brilliant victories, enabling them to "revert to the proletariat" the power of the Propaganda Department of the CPC Central Committee they had lost. A friend in Beijing's cultural circles said: In the future it is necessary to remember the following words: "Stay at a respectful distance from someone, bear it even if it hurts."

Some people said by way of explanation that this means: If nobody looks for you, you had better stay at a respectful distance and behave yourself; if someone looks for you, you can only resign yourself to adversity and put up with it. Everybody knows that the two kings of hell in charge of ideology are He Jingzhi and Wang Renzhi. As a deputy head, He Jingzhi is second to Wang Renzhi. However, having followed Deng Liqun for many years and become notorious in the movement to "eliminate spiritual pollution," he can also be regarded as a leftist king of great seniority.

Public Security Minister Ruan Chongwu Has Been Transferred [subhead]

Now they are launching the second campaign, namely, pulling off the nail Hu Yaobang placed in the political and legal departments. Public Security Minister Ruan Chongwu. Ruan is 54. He once served as China's science and technology attache in West Germany and a vice mayor of Shanghai. Since his appointment as Public Security Minister in September 1985, he has not had as many vulnerable points as Zhu Houze that can be capitalized on. (Zhou said that the four cardinal principles are only a political concept which does not obstruct creative freedom. His support for liberalization is the principal cause of his ouster.) The primary responsibility for failing to suppress the student movement lay in the higher authorities because he dared not arrest people without an order. Nevertheless, he is Hu Yaobang's man. What reasons are there not to return the "knife" to the hands of the proletariat? According to informed sources, in early March it was decided at the higher level but not officially announced that Ruan would be transferred to the State Scientific and Technological Commission as a cadre at the vice minister level. He majored in electronics engineering and so the reason for his transfer is that he "did not practice what he had learned." This has not been officially announced because it has been hard to find a replacement (Since there is a requirement to appoint younger people to ministerial posts, it will be inconvenient to reinstate former officials). Peng Zhen is reportedly dissatisfied with Ruan Chongwu's abilities, saying that since he is so much like a scholar, how can he work as public security minister?

Sensitive people in Beijing's political circles are guessing who will be next. They all know that in seizing power and staging a coup d'etat it is important to have "gun, pen, and knife." The Army has never been seized by Hu Yaobang. Therefore, the military, cultural, and dictatorship powers have all changed hands. The diplomatic power will probably be the next target because Foreign Affairs Minister Wu Xueqian is also a figure from the CYL faction.

Deng Liqun Has Become "Executive General Secretary" [subhead]

What is most interesting is that Deng Liqun has already been called "executive general secretary" among the sensitive people mentioned above. There was a precedent in the Ministry of Foreign Affairs in the past. For a long time, Ji Pengfei worked as a vice minister of internal affairs, namely, the first vice minister. The minister managed foreign affairs while he was in charge of such internal affairs as personnel power and political work. As everybody knows, the post of "general secretary" primarily involves the management of ideology, party affairs, and personnel. In addition to managing culture and propaganda, the management of ideology concerns the launching of movements. Zhao Ziyang is nominally "acting general secretary" but his primary responsibility is the premiership. [paragraph continues]

It does not matter if he speaks in the capacity of a general secretary but it indeed poses a problem for him to specifically lead and direct the Secretariat. Of the 10 people in the Secretariat, four are in a position of being led (Hu Qili, Qiao Shi, Huo Jiangxiu, and Wang Zhaoguo) because of their relationships with Hu Yaobang. The rest, including Wan Li, Yu Qiuli, Tian Jiyun, Li Peng, and Chen Pixian, attend to their own duties and therefore are not in a position to "grasp the overall responsibility." Given the restoration of the elders, Deng Liqun has actually exercised the power of leading the Secretariat. In other words, he is to a large extent a general secretary wielding real power.

Deng Liqun's political ambition is almost known to the people in the street. The earth-shaking movement to oppose spiritual pollution in 1983 was actually instigated by him. After the movement was curbed by the Hu Yaobang faction, he was protected by the elders. Now, his ultra-leftist deeds have become his capital to advance toward the post of general secretary. In a recent speech criticizing liberalization to a restricted audience, he claimed to have consistently opposed bourgeois liberalization and to never have departed from the four cardinal principles. He said: In 1979 he criticized Sha Yexin's modern drama "Swindler" ("If I am Real") and in 1981 he criticized Bai Hua's "Unrequited Love." The two plays have been made into films in Taiwan. This shows that he did the right thing. In 1983 he favored eliminating spiritual pollution and, at the national conference of the Chinese Writers' Association in 1984, he did not agree with the formulation of creative freedom. At important moments he always had differences with Hu Yaobang.

The Countermeasures of Deng Xiaoping and Zhao Ziyang [subhead]

Deng Xiaoping naturally knew fairly well the actions of the conservative faction. Together with Zhao Ziyang, he adopted a countermeasure. At the end of February, they allowed Fang Lizhi to make an appearance and to deliver an academic report at the national meeting of the Physics Society, and, at the same time, openly criticized his mistakes. The reaction was good. Even the conservative faction praised this brilliant stroke, saying that it carried forward and developed the party's tradition and that it was necessary to "unite and criticize" intellectuals.

Deng Pufang Prevails on Deng Xiaoping [subhead]

Taking advantage of this favorable wind, someone passed a suggestion on to Deng Xiaoping through Deng Pufang: "Who not let Hu Yaobang also make an appearance?" Deng Xiaoping was reportedly moved by the words of Deng Pufang, who said that allowing the leader who had stepped down to make a reappearance without changing the party's line is a pioneering effort in the history of the international communist movement and that there were only advantages and no disadvantages in doing so.

It was indeed so. Hu Yaobang's reappearance not only could save the image of the reform faction, bring confidence to the startled masses and the overseas people, and show that Hu has not yet suffered a crushing defeat, but it could also teach the conservative faction a lesson and remind them not to look so triumphant because they will probably be situations whereby "something negated will be negated." Thereupon, Deng Xiaoping decided to have Hu Yaobang make an appearance at the opening ceremony of the NPC in the last ten days of March.

The source did not give the details of what happened later. The source only disclosed that when Hu Yaobang found that he was to make a reappearance, he resented it. He knew that it was not a comeback. [paragraph continues]

Neither was he interested in rumors such as the one that had him "hospitalized in Hospital 301" and suffering from a "nervous breakdown." Knowing that this reappearance was aimed at using him, he rejected it on the ground that he was unwilling to comment on something that was not his own concern. Deng Xiaoping was wise enough not to press him with the party's organization principle, and promised to meet with him and have a chat.

Three Major Conditions as the Cost of Making a Reappearance [subhead]

It is not known how the meeting was arranged. According to a member of the "Princes' Party" who was familiar with Deng Pufang, however, Deng Xiaoping and Hu Yaobang reached a compromise on three conditions and Hu Yaobang agreed to make a reappearance.

First, with regard to Hu's job, Deng promised to preserve his seat on the Standing Committee of the Political Bureau after the 13th National Party Congress. Hu would be specifically responsible for the united front work, including the CPPCC and the International Liaison Department of the CPC Central Committee in charge of contact with the left in other countries. In Deng's view, this would be more suitable for him as he has left a good impression abroad. Hu's son Hu Deping also works as secretary general of the United Front Work Department on the CPC Central Committee by dint of Hu's prestige. But Hu will not personally hold these positions. He will take title of a position at the Sino-Japanese Friendship Organization. Deng Xiaoping also attaches importance to relations with Japan.

Second, the reasons for his resignation should be given along the same lines, that is, he took a laissez-faire attitude toward liberalization and was lax and weak in dealing with the student movement. Hu would not recant his self-criticism. In answering reporters questions on 28 March, Yao Yilin followed this agreement, openly stating that Hu's resignation had nothing to do with these other mistakes.

Third, Hu asked Deng not to make unrestrictive concessions, which would make the conservative faction insatiable, and Deng promised to maintain the status quo.

The Reform Faction Poses for a Counteroffensive [subhead]

It is believed that many people have seen Hu Yaobang's reappearance that day. Hong Kong television stations reported that he looked solemn and serious, gave up smoking, and incessantly chewed gum during the meeting. This small detail reflected Hu Yaobang's character. He should know that a state leader should not chew gum at such a solemn meeting. Did he do this to show that he had placed himself in an indifferent position of an "old naughty boy" or that he was unaccustomed to this awkward position?

Viewed from the course of the current NPC session, Hu Yaobang's reappearance seems to be a signal of a counteroffensive. The Deng-Zhao faction is obviously the benefactor. Zhao Ziyang even adopted an attitude of criticizing leftism. At his meeting with the Hong Kong and Macao deputies on 31 March, he sternly censured the conservative faction on two occasions. The Hong Kong deputies present at the meeting were aware of what he was alluding to. Zhao said: "Some people want to launch a major struggle but they are very few in number. They dare not even surface." Observers hold that this refers to Deng Liqun and his ilk. In his new book "Building Socialism With Chinese Characteristics," Deng Xiaoping also indicated that Hu Yaobang had been dealt with in an extremely gentle and fair manner. It can be said that this has something to do with Hu's cooperative attitude.

Yang Shangkun Is Overwhelmingly Ambitious [subhead]

Recently, however, many people talked about the indifference and aversion to the struggle against bourgeois liberalization in various parts of the mainland. We can note from Zhao Ziyang's speech that this represents the biggest factor boosting the courage of the reform faction. Hu Yaobang's brief appearance has not given Hu himself any benefit. A mainland cadre who often came to Hong Kong on business trips said: Hu Yaobang is really pitiful for he still has to let others treat him as a monkey after he stepped down. A student from Shenzhen University even used the title of Ma Jian's novel to ridicule Hu's reappearance, saying: "Make your pitiful appearance and then disappear into nothingness."

The conservative faction has been rather depressed recently. Both factions seem to be applying the tactics "if you advance, I retreat; if you retreat, I advance." A cadre from Beijing's press circles disclosed to me in private: The difference and power struggle in the CPC higher echelons are very complicated. Deng Xiaoping has been quite wary of a person in recent days. He is none other than Yang Shangkun. At 80, Yang has the effrontery to want to take old Deng's place as chairman of the Military Commission. After his return to power, Deng mainly relied on Yang Shangkun to maintain military power, appointing him executive vice chairman and secretary general of the Military Commission. With the Army's real power in his hand, Deng will not let Yang reach out for a mile after taking an inch. Zhao Ziyang has made such a good impression on people that he is supported by such conservatives as Wang Zhen and Gu Mu. Zhao once indicated his unwillingness to serve as secretary general.

After the NPC session, the power struggle in the CPC will become more acute and the focus of the struggle will still be the choice of a general secretary. If there is not a new leader acceptable to all people, Zhao will probably still go on serving as secretary general. This is not because he is suitable for it but because he is acceptable to all.

SONG PING'S REPORT TO NPC ON DRAFT PLAN FOR 1987

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[Text] Beijing, April 13 (XINHUA) -- Following is the full text of the report on the Draft 1987 Plan for National Economic and Social Development endorsed by the Fifth Session of the Sixth National People's Congress on April 14, 1987.

Report on the Draft 1987 Plan for National
Economic and Social Development
(delivered at the Fifth Session of the Sixth
National People's Congress on March 26, 1987)
Song Ping
State Councillor and Minister in Charge
of the State Planning Commission

Fellow Deputies,

On behalf of the State Council, I now submit for examination and approval by this session a report on the implementation of the 1986 Plan for National Economic and Social Development and a proposal for the 1987 plan.

I. Implementation of the 1986 Plan

Nineteen eighty-six was the first year of the Seventh Five-Year Plan for economic and social development. In this year both construction and reform went smoothly. The plan for 1986 was fulfilled, there were fresh, encouraging achievements in every field of endeavour and the economy grew steadily. All this has laid a solid foundation for the implementation of the new five-year plan.

First, the rural economy has been growing on the basis of increased grain production. In 1986 the State Council adopted a series of effective measures to stimulate the peasants' interest in growing grain, such as improving the contract system for the purchase of grain and encouraging rural industries to subsidize agriculture. As a result, the production of grain increased. Despite the fact that several major grain-growing provinces suffered serious natural disasters, the overall harvest reaped was fairly good: Total output was 391,090,000 tons, representing an increase of 11,990,000 tons over 1985. The total annual value of agricultural output grew by 3.5 per cent over the previous year, surpassing the projected growth rate of 3 per cent. Other rural undertakings developed much faster: Total output value of industry, construction, transportation and commerce grew by 22.3 per cent. All this demonstrates that a new step forward has been taken in the restructuring of our rural production.

Second, industry, which has been developing at a super-high rate in 1985, slowed to a normal pace, maintaining an appropriate rate of growth. Total annual output value of industry rose by 11.1 per cent, or 9.2 per cent excluding village industrial undertakings — that is, slightly more than the planned 8 per cent. An outstanding feature of industrial production was that light and heavy industries continued to develop proportionately and that the output of both readily marketable consumer goods and important means of production increased rapidly. The output of woolen fabrics, sugar, beer, tape recorders, cameras and household refrigerators grew at rates between 12 and 54 per cent. The output of electricity reached 445.5 billion kWh., 8.5 per cent more than in 1985. Production of steel was more than 50 million tons and of rolled steel 40 million tons, both figures a new record, representing an increase of 11.2 per cent and 9.8 per cent respectively over the previous year. Meanwhile production of both cement and sulphuric acid rose more than 10 per cent. Rapid growth of production and control of demand have served to ease the strain on the supply of important raw and semi-finished materials. The state plans for transport, post and telecommunications services were overfulfilled.

Third, the excessively rapid growth of investment in fixed assets was somewhat slowed, and construction of key projects was accelerated. In 1986 investment in fixed assets of state-owned enterprises and institutions came to 193.8 billion yuan, an increase of 15.3 per cent over the preceding year. Of this, investment in capital construction was 115.2 billion yuan, an increase of 7.3 per cent, which was much lower than the 44.6 per cent increase in 1985. More funds were invested in the energy, transport and raw and semi-finished materials industries, representing 49.6 per cent in 1985. Ninety-six large and medium-sized projects and 165 single items were completed and put into operation. Capacity for electricity generation, coal mining, oil extraction and steel production as well as the handling capacity of ports all increased more than in any other year in the past decade, as did the mileage of new railroad track put into operation. Technological transformation of existing enterprises was carried out at a higher rate, with 60.1 billion yuan invested in updating equipment and transforming state enterprises and institutes, 33.8 per cent more than in 1985.

Fourth, the domestic market flourished and more commodities were in adequate supply. The total value of retail sales in 1986 came to 495 billion yuan, an increase of 15 per cent over the preceding year, or 8.5 per cent after allowing for price rises. Both in town and country, volume of sales rose by a wide margin for consumer goods of all kinds, particularly for non-staple foods such as meat, poultry, eggs, aquatic products and vegetables, and high and medium-priced manufactured goods for daily use. The ample supply of commodities on the market helped keep the rise of the retail price index down to the 6 per cent level projected in early 1986, as against 8.8 per cent in 1985.

Fifth, economic and technological exchange with foreign countries continued to expand. In 1986 our foreign trade was confronted with a sharp drop in world oil prices, increasing trade protectionism and many other difficulties. Under these circumstances, we adopted the economic policy of encouraging export enterprises to earn more foreign exchange. We promptly readjusted the proportions of different export commodities and tapped new sources of production, thus facilitating steady growth in this area. According to customs statistics, total annual export volume reached \$30.9 billion, a 13 per cent increase over the previous year. Limitations were imposed on import, and the proportions of different kinds of imported commodities were readjusted. Total volume of import was \$42.9 billion, 1.6 per cent more than in 1985. Progress was made in the use of foreign capital and in the introduction of technology. A total of 4.8 billion dollars' worth of foreign loans was actually used, somewhat more than in the previous year, and many more of the projects funded directly by foreign businessmen were productive ones.

Sixth, science, education, culture, public health and sports developed further. In 1986 we started systematically to launch key scientific and technological state projects in accordance with the Seventh Five-Year Plan. More than 4,000 technological development projects were included in the "spark programme" designed to invigorate the rural economy. Nine-year compulsory education was introduced wherever local conditions permitted. Higher and secondary education, vocational and technical education and adult education developed steadily on the basis of the readjusted disciplines and improved quality of instruction. Progress was made in the press, publishing, broadcasting, the cinema, television, literature, art and other cultural undertakings. Medical care was improved for the masses. New successes were scored in sports.

Seventh, the people's living standards in both town and country were raised. A sample survey shows that the portion of average per capita income that urban residents spent on living expenses came to 828 yuan, an increase of 20.9 per cent over the preceding year, or 13 per cent after adjustment for price rises. Average per capita net income of peasants was 424 yuan, an increase of 6.7 per cent, or 3.2 per cent after allowing for price rises. Housing was improved for both urban and rural residents.

Eighth, economic restructuring progressed on the basis of the consolidated achievements of the past few years. Extensive horizontal economic ties were established between regions, trades and enterprises, and corresponding measures were taken to reform planning, statistics, materials supply, finance, credit and industrial and commercial administration, so as gradually to break down the barriers between different departments and regions. In state enterprises provisional rules and regulations were put into effect for the contracting of labour, the recruitment and employment of workers, the dismissal of employees who violate discipline and the provision of insurance for former employees waiting for new jobs. All this helped to bring about a major reform in the labor system. Measures taken a few years ago to reform prices and wages were improved, and ways to reform the financial system and expand the market for funds were actively explored. Taken together, these reforms have done much to promote the growth of the economy.

All the achievements mentioned above can be attributed to the conscientious efforts made by the people of all our nationalities to carry out the correct measures adopted by the Central Committee of the party and the State Council for the strengthening and improvement of macro management of the economy, and to our implementation of the principle of "consolidating, assimilating, supplementing and improving" the reform of the economic structure. Here we wish to express our highest esteem for the workers, peasants, intellectuals and all other working people and patriots who have done their utmost to promote the steady growth of the economy, sound progress in the reform and fulfillment of the 1986 plan.

Now I should like to make a few explanations about the appropriate rate of economic growth. The growth rate set for agriculture in 1986 was 3 per cent, for industry 8 per cent and for total industrial and agricultural output value 7.4 per cent, all of which targets were slightly exceeded. In our opinion these rates were in general conformity with the actual conditions prevailing in our country at the time. China is a developing socialist country, and we have to keep the growth of our industry and agriculture at a certain rate if we want to develop other fields of endeavour and raise the people's living standards. If the growth rate is too low, there will be shortage of consumer goods and of means of production, and state revenue will be inadequate, making it impossible either to satisfy the requirements for economic development and improvement of the people's living standards or to guarantee the attainment of the long-range objectives of socialist construction. On the other hand, if the growth rate is too high, if it is pushed up in disregard of actual conditions of production, of our scientific and technological level and of the potential for increasing production and reducing waste, it will place a strain on all sectors of the economy and lead to imbalance between major sectors. In short, the more haste the less speed. An annual growth rate of approximately 7 per cent for the country as a whole cannot be regarded a low, if we proceed from actual conditions and really try to achieve better economic results, improve product quality, produce more readily marketable goods, reduce consumption of materials and maintain an appropriate mix of products. People in different regions and trades, for their part, can work for growth rates of around 7 per cent, depending on their specific conditions, and should not mindlessly compete for a higher rate. We must continue to guard against the blind pursuit of an excessive growth rate, if we are to succeed in shifting the focus of our work to better economic performance and bring about long-term steady development of our economy.

Fellow deputies,

While fully appreciating the major achievements we have scored in every field of work, we must be aware that there are still some problems in the economy demanding urgent solution. The chief ones are as follows:

1. It is true that the growth rate of investment in fixed assets of state enterprises and institutions was lowered, but that was mainly because direct budgetary allocations for capital construction were brought under control. The problem now is that investment by local authorities and extra-budgetary investment exceed the amount set in the state plan and that there are still too many fixed assets projects under construction in the society as a whole. Furthermore, the pattern of investment is irrational, with too small a proportion devoted to key projects. In quite a few places and departments too many projects in the processing industries have been built and too many luxury hotels, official guesthouses, visitors' accommodations, vacation resorts, amusement parks, "centres" of various kinds, tall buildings and "single-trade streets". All this has added to the pressure on the supply of energy, transportation, raw and semi-finished materials and, in particular, electric power, hampering the construction of key projects.

2. Consumer demand is growing too fast. The average wages of workers and other employees last year were raised by 16 per cent over 1985 (8.4 per cent in real terms after adjustment for price rises), an increase far surpassing the rise in labour productivity, which was 4 per cent. Many enterprises arbitrarily raised wage scales, issued bonuses and distributed lavish subsidies in cash or in kind on all sorts of pretexts. Quite a few government departments, enterprises and other institutions went in for extravagance and ostentation, vying with each other to display their wealth and indulging in conspicuous waste. Meantime, because of the rise in the cost-of-living index, some families of low-income workers and other employees were having difficulty making ends meet. This problem must be given serious attention.

3. Our industrial product mix does not meet the changing demand of the market. There is a shortage of quality brands, high and medium-priced goods and products that are urgently needed in the rural areas, whereas inferior goods and items already overstocked are still being produced, so that a large part of the loans that represent working capital for industry is tied up in these goods. The production of many goods consumes too much material and consequently costs too much.

4. There is a deficit in state revenue, the prices of some commodities have soared and there is an imbalance in receipts and payments of foreign exchange. This shows that the problem of making total social supply meet total social demand has not yet been fundamentally solved and that there are still some unstable factors in the economy.

The problems we are confronting in our efforts to develop the economy are those encountered not by a declining economy but by a growing one. Some of them are unavoidable when we are trying to change the economic structure and our strategy for development. Others have arisen because we didn't always think things through carefully enough, and our planning and management failed to match the changes in objective reality. We must take these problems seriously and make real efforts to address them. But so long as we continue to push the reform and to adopt correct policies and measures, the problems will be solved.

In accordance with the arrangements and requirements for the first two years of the Seventh Five-Year Plan, and taking into consideration the actual conditions, the 1987 plan for national economic and social development essentially sets forth two tasks: To achieve a basic balance between total demand and total supply and to maintain a steady development of the economy. These are to be accomplished by conducting a vigorous campaign to increase production, practise economy, raise revenue and reduce expenditure, and by deepening the reform to further invigorate large and medium-sized enterprises and to strengthen agriculture for continued growth. We must therefore work hard to increase and improve social supply; to enable the economy to grow at an appropriate rate; to improve the economic performance of production, construction and circulation; to adapt product mix better to changing patterns of demand; to maintain a stable domestic market; and to earn more foreign exchange through export. We must continue to keep total social demand under control, maintain the scale of investment in fixed assets in consonance with the state's financial and material capabilities and readjust the pattern of investment so as to guarantee construction of key projects and advance technological reform. At the same time, we must see to it that the growth of consumption is made possible by growth of production. We must strengthen scientific research, vigorously develop new technologies and spread the application of scientific and technological achievements. We must also work hard to expand educational, cultural and other undertakings that help to build a socialist society that is advanced culturally and ideologically.

According to the 1987 Plan for Economic and Social Development, to accomplish these tasks we must do the following:

(1) We must strengthen agriculture to bring about a greater increase in the output of grain and other farm and sideline products urgently needed by the society.

By increasing total social supply we mean first of all increasing the output of farm products, especially grain. We have a huge population, and we shall need more and more grain as the economy expands and people's living standards rise. We must continue to do everything possible to produce still more grain. In 1987 we shall try to bring our total output up to between 400 and 405 million tons, 8.9 to 13.9 million more than in 1986. At the same time we must work hard to increase production of cotton, oil-yielding and sugar-yielding crops and high-quality tobacco and to diversify the rural economy so as to bring about all-round prosperity in the countryside. In 1987 total agricultural output value is planned to reach 313.5 billion yuan (calculated in terms of constant prices for 1980), an increase of 4 per cent over last year.

To ensure increased agricultural production, the most important thing is to deepen the rural reform, improving the contract system for the purchase of grain and encouraging the peasants to plant it. Grain should be grown in areas suitable for such crops, and especially in coastal areas and economically more developed regions.

We must make a point of increasing investment in agriculture and providing more chemical fertilizers and diesel oil so as to improve conditions for agricultural production and strengthen its capacity for continued expansion. The 1987 state budget earmarks 2,375 million yuan for direct investment in farming, forestry and water conservancy, 670 million more than in 1986. This investment will be used mainly for the following: Construction of key projects designed to harness big rivers like the Huang He (Yellow), the Huai and the Chang Jiang (Yangtze); establishment of bases for the production of such commodities as improved strains of wheat and corn, soybeans, apples, lean pork, wool and aquatic products; and scientific and technological development. Since strengthening agriculture is a colossal long-term task, it can never be accomplished by relying solely on the central authorities; local authorities and the masses of peasants must be fully mobilized. Moreover, there must be a general division of labour under an overall plan. Local governments at various levels will be expected to increase their investment in capital construction projects for farming, forestry and water conservancy and to persuade the peasants to increase their investment of labour for the maintenance and construction of such projects, so they will be better able to withstand natural disasters.

To raise per-unit yields of grain and improve quality, we must continue to develop and propagate fine strains and to teach peasants the correct use of polyethylene mulch and fertilizers.

(2) We must readjust the structure of industrial production, emphasizing the product mix of the textile industry and other light industries and of the machine-building and electronics industries.

The key to improving the economic performance of industry is to resolve the contradiction between the product mix and the pattern of demand. This in turn is the key to achieving a balance between production and consumption on a new basis. All departments and regions should pay special attention to readjusting the mix of products in terms of variety, quality and price. In the textile industry and other light industries we must try to increase production of quality brands and of goods in short supply, while curbing production of inferior and overstocked goods. We must also organize the production of small, indispensable items of daily use in such a way as to guarantee their supply.

To meet the different demands of urban and rural markets, we should manufacture new readily marketable products on a trial basis. This year we plan to update 20 per cent of the existing varieties of light industrial products and to develop a number of new ones. In the machine-building and electronics industries we should concentrate on the manufacture of special large modular sets needed by the energy and raw and semi-finished materials industries and on the production of railway rolling stock. Where products are assembled in China from parts that are mostly imported at present, we should try to make more of those parts ourselves. We should curtail the manufacture of products that are over-supplied or energy-wasteful. We should actively support those military enterprises that convert to the production of readily marketable goods for civilian use. Departments in charge of the readjustment of product mix should provide better guidance, so as to prevent a general rush to manufacture a few particular items, which would then create a surplus. They must help enterprises to cultivate a strong sense of the market, of competition and of innovation and to keep up to date on the needs of domestic and foreign markets, so they can organize production and develop new products accordingly. To provide timely information and better consultative services, departments and trade organizations concerned should improve their market surveys and forecasts.

According to the 1987 plan, total industrial output value will be 1,100 billion yuan (calculated in terms of constant prices for 1980), an increase of 7 per cent over 1986. Light industry will grow at roughly the same rate as heavy industry. All localities and departments must base their industrial growth on improved quality, marketability of products, greatly reduce consumption of materials and conscientious fulfillment of supply and marketing contracts.

(3) We must continue to strengthen the construction of key projects and increase the capacity of the energy, raw and semi-finished materials, transportation and communications industries. At present these industries still stand out as weak links in the economy, seriously hampering its development. In 1987 we should give top priority to construction in these areas, concentrating a much larger proportion of resources on them.

With regard to energy, while continuing to develop the coal and petroleum industries, we shall call upon all quarters to help speed up development of the power industry. Geographically, the emphasis will be on those provinces and cities in north, northeast, east and central China where there is a serious shortage of electricity. So far as the order of projects is concerned, we shall give priority to the installation of generators and to ongoing projects that can be completed and put into operation by the end of the year. We shall also launch a number of projects for generating, transmitting and transforming electricity, to pave the way for further development of power during the remaining period of the Seventh Five-Year Plan and throughout the period of the eighth. In 1987 we plan to complete and put into operation generators with a total capacity of 5.5-6 million kw., of which 1 million kw. will be added to power grids in north China, 1.1 million kw. to northeast China, 1.2 million to east China and 0.9 million to central China. A 500,000-volt transmission and transformer project for these four regions will be completed this year, and testing will begin on China's first 500,000 ultra-high-voltage DC transmission project. When these projects are placed in operation, they will help to ease the grave shortage of electricity and to rationalize the distribution of power networks. In the raw and semi-finished materials industries, the emphasis will be on accelerating the development of iron and steel production and on expanding the nonferrous metals, chemical, petrochemical and building-materials industries. So far as the iron and steel industry is concerned, in 1987 we shall continue to stress the technological transformation, renovation and expansion of existing enterprises, especially with a view to improve mines and producing greater variety.

Specifically, we shall construct the second-stage project of the Baoshan Iron and Steel Complex in Shanghai and provide complete equipment for the first-stage project. We shall complete the rolling-mill projects at the Wuhan, Panzhihua and Tangshan Iron and Steel Companies and a number of technological transformation projects, with a view to expanding the capacity for rolled steel of different varieties urgently needed at home. We shall begin construction of blast furnaces for the Panzhihua and Tangshan Iron and Steel Companies and of iron mines for the Anshan Iron and Steel Complex, the Hanxing Metallurgy and Mining Administration, and factories in eastern Hebei Province, so that these mines will become our basic providers of raw material for long-term development of the iron and steel industry. At the same time, we shall speed up construction of such projects as the Shanxi Aluminum Plant, the copper base in Jiangxi and the Baiyin Nonferrous Metals Plant in Gansu, and we shall continue construction of the Yangtze Ethylene Plant in Nanjing and the Qilu Ethylene Plant in Shandong.

In the transportation and communications industries we shall make overall arrangements for the construction of various facilities. So far as railways are concerned, the main tasks will be as follows: To continue increasing capacity to transport coal from Shanxi to the northeast and other places (building the Datong-Qinhuangdao railway, double-tracking and electrifying the Datong-Taiyuan railway); and to make preparations for building more railways in the economically developed regions in east and south-central China and for double-tracking and electrifying a number of existing ones there. We plan to lay an additional 538 keynoters of track, to double-track 532 keynoters and to electrify 677 keynoters. So far as ports are concerned, we shall emphasize the building of off-loading docks in coastal provinces and cities that are short of coal and the construction of ports in coastal cities that are open for foreign trade. We shall also undertake certain key technological transformation projects for inland waterways, highways, civil aviation and post and telecommunications and complete and put into operation a number of others.

In 1987, 195 billion yuan will be invested in fixed assets of state enterprises and institutions, roughly the same amount as in 1986. Of this, 114 billion yuan will go to capital construction and 60 billion to the updating of equipment and technological transformation of existing enterprises. Of the total investment in capital construction, the proportion allocated to key projects in the energy, transport and raw and semi-finished materials industries is larger than it was in 1986.

(4) We must adhere to the policy of opening to the outside world and expand export in order to earn more foreign exchange. We shall adhere to and improve the policies and measures designed to encourage export, in order to mobilize the initiative of all enterprises involved, tap their potential, increase sources of readily marketable commodities, open up new world markets and thus overfulfil our quotas. In the light of world market demand, all enterprises manufacturing commodities for export should raise the quality and increase the variety of their products; they should faithfully observe contracts and deliver goods on schedule. While trying to expand export to earn more foreign exchange, we must improve business accounting and try to reduce the costs of export. We shall exercise strict control over foreign trade and put a stop to illicit exports. We shall expand tourism and send more labour abroad, so as to increase foreign exchange earnings through invisible trade, while strictly controlling the outflow of foreign exchange for such trade.

We shall continue to tighten control over imports, especially consumer durables and ordinary machine-building and electronic equipment. We must ensure that our limited foreign exchange is spent to purchase advanced technologies, key equipment and those raw and semi-finished materials that are in short supply on the domestic market and to increase our capacity to generate more foreign exchange through export.

In the spirit of self-reliance, we must develop more and better import substitutes of our own. We must refrain from importing equipment that we can produce ourselves, even if the domestic product is of lesser quality and somewhat more expensive. We must do our best to achieve a balance between receipts and payments of foreign exchange this year. In 1987 we must continue to make a success of building the special economic zones and developing the coastal cities and regions that are open to the outside world. We must also achieve better results in the use of foreign capital, the introduction of technologies and the expansion of export.

(5) We must undertake a number of key projects in science and technology and other projects for spreading the application of advances in these areas. We must also train more skilled people in different fields and promote cultural progress of all kinds. We must see to it that the bidding and contracting for key scientific and technological projects to be undertaken during the period of the Seventh Five-Year Plan are conducted properly. When the right conditions exist for launching such a project, no time should be lost in organizing people to tackle it. Pilot projects and industrial experiments should be carried out, and research results should be made as comprehensive and useful as possible. We should make sure that advanced technologies are applied as widely as possible, that the "spark programme" is carried out and that technological progress in production is speeded up. We should research and develop high technologies.

Regular higher education should be steadily developed and teaching conditions gradually improved. In 1987, 620,000 students will enter regular or special undergraduate programmes offered by regular institutions of higher education, and 45,000 students will be enrolled in postgraduate programmes. Schools of all types will be expected to do more and better ideological and political work and to improve the quality of instruction, so as to ensure the moral, intellectual and physical development of students.

People working in the fields of literature, art, broadcasting, the cinema, television, the press and publishing and in other cultural areas must uphold the four cardinal principles and take a firm stand against the tendency towards bourgeois liberalization. They must resolutely implement the principle of "letting a hundred flowers blossom, a hundred schools of thought contend" and the principle of serving the people and socialism; they should work hard to make socialist literature and art flourish so as to enrich people's cultural life. They must continue to develop public health and sports.

We must persist in our efforts to promote family planning and control the growth of population. Last year China's birth rate showed an upward trend, which demands most serious attention. It is imperative to implement the guidelines laid down at the national conference on family planning and scrupulously carry out the policies and measures relating to family planning.

(6) We must improve the living standards of both urban and rural residents on the basis of expanded production. In 1987 we must arrange to provide jobs in cities and towns. Total wages of workers and other employees will increase over the 1986 figure by 14 billion yuan, the bulk of which will necessarily go to the newly employed and to those who, after a trial period, become regular workers on regular wage scales. We shall build houses for the workers and other employees according to plan, trying to complete 90 million square metres of new floor space. The peasants' income will continue to rise with the growth of agricultural production. We must go on helping poor areas to lift themselves out of poverty and become prosperous.

To keep pace with the growing income of both urban and rural residents, we must increase the market supply of commodities in town and country.

City suburbs should greatly expand production and supply of vegetables, meat, poultry, eggs, aquatic products and other non-staple foodstuffs. We should improve channels of circulation so that manufactured goods reach the peasants. Grain should be used economically and strictly according to plan, and we should control the amount that is sold for urban consumption and industrial use. Total volume of retail sales in 1987 is projected to be 555 billion yuan, 12.1 per cent more than last year.

Market prices directly affect the interests of the people, so people's governments at all levels must exercise strict control over the market, ensuring that general retail prices rise no more than they did in 1986. The state should strictly control the commodity prices that it determines itself and, by administrative and economic measures, more effectively inspect, supervise and control those that are allowed to float.

III. [number as received] Increase Production and Practise Economy, Deepen the Reform and Completely Fulfil the 1987 Plan

The tasks to be accomplished in 1987 for national economic and social development are heavy ones. The key to complete fulfillment of these tasks and the guarantee of a basic balance in finance, credit, foreign exchange and materials is to do well in two major respects: First, to put a brake on spending and carry out the nationwide campaign to increase production, practise economy, raise revenues and reduce expenditures in all occupations; and second, to deepen the economic structural reform, focusing on the further invigoration of large and medium-sized enterprises.

In his report on the work of the government, Premier Zhao Ziyang has fully explained how important it is to carry forward our fine tradition of living simply, working hard and building the country through industry and thrift and to launch the campaign to increase production, practise economy, raise revenue and reduce expenditure. We should unify our understanding on this point and be increasingly aware of it. All enterprises and institutions and all government departments and people's organizations should regard this campaign as a major undertaking and strive to make it a success. According to the 1987 plan, industrial enterprises should raise their labour productivity by 4 per cent, reduce their material consumption by 2 per cent, cut their overall operating expenses and those of their workshops by 10 per cent and reduce their losses in the process of production by 30 per cent. Commercial enterprises should reduce their cost of circulation by 2 per cent and their losses by 20 per cent. All industrial, transport and commercial enterprises should reduce the amount of funds tied up and shorten the length of time for turnover of working capital by 2 or 3 per cent. In capital construction, 5 per cent of total investment should be saved by lowering excessively high building standards, reducing consumption of materials, cutting operating expenses and eliminating unnecessary expenditures. In light of these general requirements, all localities and departments should work out their own specific targets and require their subordinate units to do the same.

To achieve good results in increasing production, practising economy, raising revenue and reducing expenditure, we must do the following in 1987:

1. Further shift the focus of work to the improvement of economic performance. This is an essential prerequisite for deepening the campaign to increase production and economize wherever possible. Over the past few years many localities, departments and enterprises have done a great deal of work in this respect. However, quite a number of units still have not sufficiently understood the need for the shift in emphasis; they have only sought to increase output and output value, to the neglect of economic performance. Economic efficiency remains low in many spheres.

In 1986 the total amount of investment in fixed assets throughout the country reached almost 300 billion yuan, but the national income it yielded amounted to only 80 billion yuan — in short, input far exceeded output. This shows that to a large extent our national economy is still clumsily managed. Unless we make up our minds to change this situation, there can be no dramatic improvement in the economic outlook as a whole. We must concentrate every effort on enhancing economic performance by improving product quality, reducing material consumption, economizing on the use of funds, raising revenue and curbing expenditure in all undertakings. To this end, all enterprises should improve their management and accounting in order to significantly raise efficiency; they should also take a keen interest in promoting scientific and technological progress and introduce new techniques and technologies on a sound basis. From now on, in evaluating the work of a locality, department or enterprise, we should not solely consider how much it has increased its output value. Rather, we should make the first criterion of success its economic performance, that is, the results it has achieved in increasing production, practising economy, raising revenue and curbing expenditure.

2. Further readjust the investment pattern and strive to increase returns on investment. Our present investment pattern is irrational. There is too much investment in ordinary processing industries and other non-productive projects and too little in key projects urgently needed by the society, with the result that there is still a great strain on energy, raw and semi-finished materials and transport. Because of the shortage of electricity, many enterprises can operate only intermittently, and it is extremely difficult for them to maintain steady production and improve their economic performance. For the same reason, many newly built or expanded projects, technological transformation projects and urban engineering projects cannot be put into operation or only operate under capacity. If we fail to readjust the investment pattern and allow this state of affairs to continue, improvement of economic performance will be nothing but empty talk. In 1987 we must be sure to follow the State Council's guidelines known as the "three guarantees and three restrictions". This means we must guarantee the construction of projects included in the plan, of productive projects and of essential state projects, while restricting projects that are outside the plan, non-productive and non-essential. One of the important measures that the state will take is to issue through the banks 10 billion yuan's worth of bonds for key construction projects and for key enterprises. This will enable us to muster extra-budgetary funds from the various localities, departments and enterprises for the construction of major projects envisaged by the plan in the energy, transport and raw and semi-finished materials industries. By so doing, we can not only increase investment in key construction projects but also reduce investment in other areas, alleviating the pressure on energy, raw and semi-finished materials and transportation.

Readjustment of the investment pattern should go hand in hand with strict control of new projects and reassessment of those already under construction. No large or medium-sized projects are to be launched this year except for the urgently needed ones that have been approved by the State Council. There must be rigorous control over other new projects as well. Projects that are already under way should be examined one by one from the point of view of the availability of electricity and other necessary conditions. Construction of those projects for which electricity is unavailable or other conditions are lacking should be resolutely suspended or postponed. We should enforce a strict responsibility system in this regard. If a construction unit presses ahead with a project in violation of this requirement and is then unable to put it into normal operation after it is completed, the construction unit shall be held responsible for the consequences. Many of our construction projects have incurred great waste because of outdated design, excessively high building standards or sloppy management, together with the unjustified acquisition of funds for the project from many sources.

We should make an earnest effort to solve these problems by introducing the contracted responsibility system in the form of public bidding, and by updating design and improving management to secure better returns on investment.

3. Restrain the excessive growth of consumer demand and resolutely cut back unreasonable, non-productive expenditures. Although our industrial and agricultural production has expanded fairly rapidly over the past few years, our per capita production level remains low. Since China is only pioneering its course of development and needs huge sums for construction in every field, we must take into consideration both construction and the life of the people. Living standards must be raised, but not too rapidly. If consumer demand rose faster than production, production and construction would be short of the funds necessary for long-term development, and the higher living standards, lacking a solid material foundation, would not last long either. We should arrive at a unified understanding on this question and adopt a correct policy. With regard to personal income, we should ensure that total wages of workers and other employees grow at a lower rate than that of production and that average real wages grow at a lower rate than that of labour productivity. The growth of the peasants' income should be based mainly on increased agricultural production and reduced production costs, rather than on readjusted prices for their products. As for public consumption, we should decide on appropriate norms and an appropriate scale of expenditure in light of the country's present capacity. We should foster throughout the country an atmosphere in which industry and thrift are regarded as honourable and extravagance and waste are shameful.

4. Strengthen control over foreign exchange and foreign loans and make effective use of them. Localities, departments and enterprises should be very careful in using foreign exchange so as to make the most of our limited amount. Beginning from this year, while basically allowing the localities, departments and enterprises to retain a share of the foreign exchange they earn, we should reform the current import system so as to better co-ordinate the powers, responsibilities and interests of all who use foreign exchange. We should strengthen unified control over foreign loans and bonds issued abroad. Foreign funds are to be used only for the development of production, and chiefly for export-oriented enterprises with a high rate of foreign exchange earnings, for enterprises manufacturing import substitutes and for enterprises that are technologically advanced. We should establish a strict economic responsibility system with regard to foreign loans and uphold the principle that whoever procures them is responsible for repaying them.

5. Strictly enforce financial and labour discipline and strengthen economic supervision. Strict discipline and effective supervision are indispensable if we are to fulfil the tasks of increasing production, practising economy, raising revenue and reducing expenditure and to guarantee the smooth progress of socialist economic development and restructuring. Financial and economic discipline has grown lax everywhere. In the past few years construction has been over-extended, consumer demand has grown too fast, prices of many commodities have been raised without authorization, administrative expenditures of different types have increased too much and there have been widespread extravagance and waste. All this has happened because laws, rules and regulations were ignored. In the campaign to increase production, practise economy, raise revenue and reduce expenditure, one of our major tasks will be to enforce financial and economic discipline. It should be made clear that all of the following are violations of financial and economic discipline and must be stopped: failing to implement state mandatory planning, failing to produce goods according to orders placed and failing to deliver goods according to contract; arbitrarily launching new projects and expanding the scale of construction; and raising wage scales without authorization, indiscriminately issuing bonuses and subsidies in cash or in kind, raising prices in a disguised form and making unjustified charges.

It is necessary to strengthen organs of economic supervision at all levels so they can function to the full, and at the same time to encourage the people to play a supervisory role as well. Those who seriously violate financial and economic discipline must be called to account and given administrative or economic sanctions as appropriate. It is also necessary to enforce labour discipline in enterprises. Leaders at all levels should set an example of respect for state financial regulations. It is essential to use every means to foster in both the cadres and the rank and file an awareness of legality, discipline and the common good and to encourage them always to keep in mind the overall interest and the general situation. Strict enforcement of financial and labour discipline and of the system of reward and punishment is indispensable to the smooth progress of both construction and reform and is in the interest of the people. There is no doubt that in our efforts to improve our work in this respect and to achieve practical results we shall have the support of the people of the entire country.

Fellow deputies! Continuing to deepen economic structural reform and to call forth the initiative of people in every field of endeavour will provide the fundamental guarantee for complete fulfillment of the 1987 plan. The State Council has decided that the major tasks of the economic structural reform in 1987 are as follows: To invigorate enterprises, especially large and medium-sized state-owned ones, focusing on the reform of their managerial mechanisms and of their leadership structure; to continue to expand horizontal economic associations; to speed up financial reform appropriately; to further expand the market for means of production; gradually to reform and improve the labour and wage systems of the enterprises and their management of investment in fixed assets; and to make necessary preparations for the whole range of reforms. In view of the requirements of the planned commodity economy based on public ownership and the overall arrangements for economic structural reform in 1987, there will have to be certain reforms in the planning system. In particular: 1) The scope of mandatory planning and the number of materials under unified state distribution will have to be further reduced and the scope of guidance planning and market regulation broadened; and 2) better ways of implementing guidance planning will have to be devised. As the reform of the planning system deepens, guidance planning will become an increasingly important means of managing the economy. It follows that it is increasingly important to find effective ways to put such planning into practice, so that we can institute a new system of macro-management, closely integrating planning with market regulation and macro-control with micro-flexibility. In this connection there are many problems that must be studied in depth. For instance, how to make the norms set by guidance planning truly serve as guides for the enterprises; how to check on the application of the important technological and economic norms and improve the contract system of placing orders so as to ensure that the objectives of guidance planning are achieved; and how to make the best use of the various means of economic regulation to implement guidance planning. The State Planning Commission will further investigate and study these problems and will work out methods for the application of guidance planning. We hope that all levels of the people's government and all departments concerned will also study these problems in order to help push forward the reform of the planning system.

China's present political and economic situation is very good, but many sorts of problems still lie ahead of us. We must unify our thinking, work with one heart and one mind and firmly carry out the principles and policies laid down by the Central Committee and the State Council. We must conduct intensive education in the necessity of upholding the four cardinal principles; resolutely combat bourgeois liberalization in the political and ideological field; work conscientiously for reform in the economic field, striving to increase production, practise economy, raise revenue and reduce expenditure; and dedicate ourselves to down-to-earth work in every area. So long as we do all this, we will surely be able to fulfil the whole plan for 1987 and to achieve sustained growth of the entire national economy.

COMMENTATOR'S ARTICLE STUDIES CHINESE SOCIALISM

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[Commentator's article: "Applying Marx's Historical Materialism to the Study of Socialism With Chinese Characteristics"]

[Text] It is generally recognized by all the economic theoreticians in our country that building socialism with Chinese characteristics must be guided by the theories of Marxism. Nevertheless, which parts of Marx' works should form the main basis of our study of socialism with Chinese characteristics? I believe that we should regard the fundamental spirit of Marxism as the guiding ideology for us to build socialism with Chinese characteristics. This guiding ideology is Marx' historical materialism. Notwithstanding that socialist ideology existed long before Marx and Engels, people all tended to explain the strong points of socialism according to a certain moral standard. Marx was the person who invented historical materialism. It proves that every type of production relation arises from the need to suit the development of the productive forces and that along with the continued development of the productive forces, this kind of production relation will tend to wither away as it gradually hinders the further development of the productive forces. Therefore, we should not judge production relations according to moral standards. The main criteria is whether it is advantageous to the rapid development of the productive forces to rapidly improve the people's livelihood. Our building socialism with Chinese characteristics is not required by a certain moral standard. It is only because such socialism can best promote the development of the productive forces in our country and the rapid improvement of the people's livelihood.

During the late 1950's, an erroneous line of thinking once prevailed in our country, holding that "being large and having a high degree of public ownership" was the perfect socialism. As a result, within only 6 months in 1958, the people's communes were established everywhere in the rural areas across the country. This practice only proved that it could seriously undermine the agricultural productive forces rather than promote the development of the productive forces. In addition to factors like natural calamities, the mistake in pursuing "being large and having a high degree of public ownership" resulted in great decreases in agricultural output for 3 years in succession. Notwithstanding that the management power was decentralized in the early 1960's by adopting the system of "three-level ownership by the commune, the production brigade, and the production team, with the production team as the basic accounting unit" and production was restored, agricultural development was still slow. The growth rate of agricultural production in the ensuing 20 years has been roughly equal to the growth rate of the population. Because the industry and cities developed relatively fast and the diversified economy was abolished in the rural areas to "take grain as the key link," even the 800 million peasants had to rely on the grain and cotton imported in large quantities from abroad. Following the 3d Plenary Session of the 11th CPC Central Committee at the end of 1978, due to the emancipation of mind and proceeding from reality in doing everything, a phenomenon of fixing farm output quotas for each household, a system of contracted responsibilities on the household basis with remuneration linked to output which had always been regarded as a kind of "directional mistake," spontaneously arose in a few localities. At that time, everyone was talking about this burgeoning thing (which had in fact been prevalent in the early 1960's but was suppressed following criticism of the "three freedoms and one contract" by the 10th Plenary Session of the 8th CPC Central Committee.) Moreover, many people took a critical attitude toward it. However, the party Central Committee did not offer a conclusion on the matter but allowed all the localities to experiment in order to answer the question in practice. [paragraph continues]

At present, the system of contracted responsibilities on the household basis with remuneration linked to output has been generally adopted throughout the country. Of the "making the people's communes large and having a high degree of public ownership," "the system of three-level ownership by the commune, the production brigade, and the production team, with the production team as the basic accounting unit," and the "system of contracted responsibilities on the household basis with remuneration linked to output," which one can best tally with Marx' historical materialism? To date, the system of contract responsibilities on the household basis with remuneration linked to output has prov. test. Of course, with the further development of the commodity economy in the rural areas, the system of contracted responsibilities on the household basis with remuneration linked to output could also be commercialized and specialized and become large-scale socialized production. It is fundamentally different from the previous self-supporting and self-sufficient small-scale peasant economy.

According to Marx' historical materialism, all social economic patterns are born out of the need to suit the development of the productive forces. With the system of slavery being the most savage system of exploitation in human history, judged by moral standards, it seems to be a historical retrogression that a primitive communal society developed into a slave society. Nevertheless, by exploiting the surplus labor of the slaves, the slave system enabled the slave owners to support and free some slaves from trivial physical labor to study the science and culture which were advantageous to the development of the productive forces, thus creating a brilliant ancient civilization. Through a period of millions of years, primitive communal society was only able to develop from the old stone stage to the new stone age. However, within about a thousand years, the slave society had invented bronze and iron wares, thus causing the agricultural production and even the handicraft production to remarkably develop. Therefore, in "On the Origins of Household Private Ownership and States," Engels highly appraised the slave system for promoting the development of the productive forces. As the labor of slaves was compulsory, all the fruits of their labor belonged to the slave owners, and the slave owners only gave them poor quality food to ensure a minimum standard of living, the slaves lacked enthusiasm for production. When production developed to a certain degree, this type of production relations hindered the continued development of the productive forces. In a situation where the owners of the production means still maintained some personal subordinate relations with the laborers at that time, efforts were made to link the fruits of the labor of laborers with the interests of the laborers themselves to effect a "contracting system" within a certain scope. While some fruits of the labor of the serfs were delivered to the feudal landlords, the remaining parts belonged to the serfs themselves. As this type of production relations could better exploit the enthusiasm of the laborers and promote the further development of the productive forces, the slave system thus changed into the feudal system. In the feudal society, there were even more surplus products and some of the small handicraftsmen split off from the peasant households, resulting in more frequent commodity exchanges and therefore giving rise to the small tradespeople who made the social division of labor and commodity exchange continue to develop. After a period of time, a petty bourgeoisie arose among the small tradespeople and handicraftsmen. Furthermore, a burgeoning bourgeoisie making use of hired labor to engage in large-scale commodity production arose from the petty producers. To have more hired laborers, the burgeoning bourgeoisie put forward slogans like "freedom and equality" and so on and sought to abolish the personal subordinative relationship between landlords and serfs. As a result, the dynamic bourgeois-democratic revolution erupted.

By abolishing the personal subordinative relationship between landlords and peasants as well as the exploiting feudal system, the bourgeois-democratic revolution could not abolish all exploitation. It just replaced exploitation by the feudal landlords with exploitation by the bourgeoisie. [paragraph continues]

Nevertheless, the establishment of the system of bourgeois democracy also marked great progress in human history. Due to the general development of the commodity economy as well as the ensuing intense competition in the big modern industries and markets, the development of the productive forces of the bourgeois society in 200 to 300 years exceeded the total development of the slave and feudal societies in 2,000 to 3,000 years. Because of the rapid inflation of surplus value, the bourgeoisie could use a fairly large amount of funds to develop educational, scientific, and cultural undertakings, thus causing the labor productivity to double and redouble.

As compared with the slave and feudal societies, bourgeois society has great vitality. However, as Marx pointed out, the bourgeois system has a fundamental contradiction between the socialization of production and the private possession of production means. Notwithstanding that great improvement has been made in the living conditions of laborers along with the development of production, the gap between capital income and labor income is always expanding. It is undeniable that in the last century (or in the century after "Das Kapital" was published, the wealth created in the capitalist world has increased many times and the living standard of the laboring people has really remarkably improved. Nevertheless, the increase rate of the wage income of the laboring people is obviously much lower than the increase rate of the profits of capitalists. Once, people tended to described big capitalists as "millionaires." However, now, to qualify as big capitalists, people have to have hundreds of millions of dollars. In spite of their luxurious lifestyles, as compared with their profit incomes, the proportion of the nonproductive expenses of the bourgeoisie becomes smaller and smaller. If they invest all surplus interests in expanded reproduction, the increase in social wealth will further exceed the living expenses of the laborers as well as the capitalists. Therefore, Marx pointed out long ago that the capitalist system would inevitably have the fundamental contradiction of the general social production exceeding the general demand affordable by the social economic capability. As a result, economic crises in the form of overproduction would occur cyclically. This kind of economic crisis had occurred on several occasions before Marx was born. The worldwide economic crisis in the early 1930's fully proved Marx' prediction and made the "Say's law" advocating that "supply creates its own demand" and that production and demands can strike a balance themselves, totally bankrupt.

In 1934, U.S. President Roosevelt adopted the method of inflation. The U.S. dollar was depreciated by 40 percent to tide over the serious crisis with one bank closing down after another. In 1936, an Englishman named Keynes published a book entitled "General Theory of Employment, Interest, and Money," proclaiming that such economic crises were caused by the three conditions of "marginal consumption tends to progressively decrease," "marginal efficiency of capital progressively decreases" and "liquidity preference" and that as long as governments expanded financial expenditure and artificially increased demand, they could cause a "multiplier effect" to restore the balance between supply and demand. Further developing the doctrine of Keynes, the American, Samuelson, declared that if people were adept at using financial deficits and inflation they would never see economic crises. It is undeniable that mild inflation even played a certain role in alleviating the economic crises in the 1950's and the early 1970's. Nevertheless, relying on the false purchasing power created by inflation, people cannot possibly fundamentally eliminate such an unsolvable contradiction as social production exceeding social demand. They can only change economic crises from being acute diseases to chronic diseases and from cyclical economic crises (crisis-depression-resuscitation-prosperity-crisis...) to the more frequent economic recession with a smaller decrease range (recession-recovery-recession...). Notwithstanding that the gross national product often increased somewhat following a cycle, the increase range was too small to live up to the expectations of bourgeoisie. [paragraph continues]

In the early 1970's, due to the impact of the petroleum crisis and the excessive inflation which shook the currency system of the capitalist world, the United States, Britain, and other countries announced one after another that they were giving up Keynesianism, reducing the range of inflation and at the same time preventing economic recession, resulting in the well-known situation of stagflation (in which production stagnated or slightly increased and commodity prices were slightly inflated). At present, Western economists have no way to eliminate the stagflation situation and none of them can predict new prosperity for the 1980's and the 1990's.

I would like to point out here that we should not regard capitalism as dying and stale. At present, it still has a force generated mainly by the rapid progress of science and technology to propel its continuous progress. Capitalists in all countries now understand that they should neither let monopoly eliminate competition nor throttle scientific and technological progress. Beginning in the 1950's, science and technology have been developing at an unprecedented speed. It has also made the productive forces develop rapidly and greatly increased the growth rate of gross national product. Nevertheless, because of the fundamental contradiction of general social production exceeding general social demand inherent in the capitalist system can not be resolved (this fundamental contradiction was previously reflected in overproduction and the overstocking of products and is now demonstrated in poor investment confidence and the large amount of idle funds as a result of making forecasts), the production growth rates are low and fluctuating. Given scientific and technological progress, the production growth rates should reasonably reach 10 percent or more. However, they are, in fact, 3 to 4 percent and sometimes 1 to 2 percent. Moreover, 5 to 6 percent can be considered rare and high. Sometimes, negative growth occurs. Furthermore, the progress of science and technology and the increase in labor productivity also bring about an increase in the number of unemployed laborers, thus affecting social stability. Why does this happen? Of course, the bourgeois economists do not admit that this is a result of the class exploitation of the capitalist system and can only explain it in light of the three conditions of Keynes.

In old China, the level of economic development was much lower than that of Russia. At that time, with the exception of a few major cities that had experienced capitalism, in the rural areas with about 90 percent of the country's population, there generally existed semifeudal production relations and less than one-fourth of the agricultural products were commodities. In old China, imperialism, feudalism, and bureaucratic capitalism, rather than that national bourgeoisie which was then very weak, occupied a dominant position in politics and economy. In the national-democratic revolution against imperialist aggression and feudal rule, the leading position was held not by the national bourgeoisie but by the working class as well as the Communist Party representing the interests of workers and peasants. As far as its nature was concerned, our revolution at that time was a bourgeois-democratic revolution. However, the principal force of the revolution was the workers, peasants, and other laboring people, thus constituting a new type of democratic revolution. Following the victory of this democratic revolution, should we have established a capitalist system and carried on the socialist revolution after capitalism was fully developed? Or should we have set up a proletarian regime to gradually carry out the socialist transformation of the national economy? Chen Duxiu and his followers favored the former road, while the party central authorities headed by Comrade Mao Zedong wanted to take the latter. History has already proved the former to be wrong and the latter to be right. Although the working class was not large at that time, historical conditions made the national bourgeoisie weaker than the working class (including the workers in the factories owned by foreign businessmen), thereby enabling the working class to lead the revolution, set up the people's democratic dictatorship, and accomplish the socialist transformations of the private capitalist economy and the individual economy. [paragraph continues]

During the 3 years of recovery after the founding of New China, as well as in the period of the socialist transformation, our country's economic growth rate was so high and the people's livelihood improved so much that it was unprecedented not only in Chinese history but also in the rest of the world. It proved that under the correct leadership of the Communist Party, our country could bypass capitalism and embark on the socialist road through the new democratic revolution.

Nevertheless, this issue merits careful consideration. As the rural areas are mainly populated by self-supporting and self-sufficient peasants, can we bypass the development stage of the commodity economy and directly set up the socialist system based on planned production and distribution? Marx once said that capitalism would inevitably give way to socialism and communism, because the contradiction between the social character of production and the private ownership of the means of production must be resolved. The socialization of production begins with the development of the commodity economy. When commodity economy is highly developed large-scale modern industry and socialized production occur, thus forming a large economic network embracing the national economy as a whole through the commodity exchange on markets. When New China was first founded, the commercial level of agricultural production was very low and most of the peasants were leading a self-sufficient life. Could we artificially start large-scale socialized production, or the people's communes which were "large in size and collective in nature," on the basis of a natural economy without developing the commodity economy? History has proved this to be against the objective laws of economic development and very disadvantageous to the development of the productive forces. Because the commodity economy was most underdeveloped in rural areas, our reform began in the rural areas. It has been proven that our reform conforms to historical materialism and has greatly promoted the development of the productive forces. At present, our agricultural production continues to develop in the direction of specialization, commercialization, and modernization.

Unlike the rural areas, the urban areas in our country have had a more developed commodity economy and carried on a large-scale socialized production focusing on the large cities and integrating large, medium, and small cities. However, after completing the socialist transformation of the privately owned industrial and commercial enterprises, we did not build socialism on the basis of large-scale socialized production, but studied the experiences of the Soviet Union and replaced commodity production and commodity exchange on markets with planned production and distribution, resulting in the creation of barriers between higher and lower levels and between different departments or regions, thus destroying the original economic network of large-scale socialized production and going back to the closed natural economy. In carrying out the economic structural reform, we should integrate the strong points of the private ownership of the means of production with the objective laws of the development of the commodity economy and planned management with regulation by market mechanism, break down the barriers and fetters between departments and regions at different levels, and set up a unified commodity market integrating the large, medium, and small cities. It has been proven that the socialist public ownership of the means of production can eliminate the exploiting systems and invest all the surplus products created by the laboring people in expanding reproduction and increase the livelihood of the people. Furthermore, as long as the planning departments master well the overall balance of the national economy (the balance between the general social supply and demand), our production growth rates can far exceed those of capitalist countries. Nevertheless, if we continue to use closed planning and management systems to hinder the development of the commodity economy and break up the unified and nationwide marketing network, we will undermine large-scale socialized production and the economic basis supporting the building of socialism. This is not in keeping with Marx' historical materialism or the building of scientific socialism.

In light of the objective situation of our country's development level of the productive forces being relatively low, on the basis of public ownership of the means of production, we should reform the planning and management systems of the national economy, so as to develop the commodity economy, rather than restricting its development. This is not to break up, but to develop, the nationwide large-scale socialized production. This is a major issue which must be resolved by the economic structure in our country. The main task for the state planning departments in the future should be striking an overall balance in the national economy, namely, to ensure a balance between the general social supply and demand and control the accumulation and consumption funds to prevent them exceeding the national income and to maintain an appropriate balance. Before the economic structural reform, as far as planning was concerned, we often made the mistake of losing control over the scale of capital construction for the sake of developing heavy industry at a high speed and failing to properly improve the people's livelihood. During the process of structural reform, as the central authorities, localities, enterprises, and the laboring people all have some decisionmaking power, agriculture and the light industry developed very rapidly and the people's livelihood remarkably improved. Nevertheless, with the numerous tasks to be undertaken and the mentality of being overanxious for success, the accumulation fund and the consumption fund got out of control at the same time. As the total of the two funds exceeded the national income, inflation, price hikes, the tense national economy, decreased economic effectiveness, and other phenomena occurred as a result. As this is disadvantageous to the development of production and the improvement of the people's livelihood, the state planning departments must prevent this kind of excessive distribution and runaway situation through financial means (including investment and taxation) and bank credits, or adopt remedial measures after they occur. Of course, the state planning departments should not only ensure a balance between general supply and demand, but also rationally distribute the accumulation fund among various departments of the national economy and the consumption fund among various social groups, strive to maintain appropriate proportions, and maximize economic effectiveness. This kind of distribution should be realized not only through financial appropriations but also the varied economic levers like price and taxation policies, and so on.

While striking a good overall balance in the national economy through making state plans, we must vigorously develop the commodity economy and replace the previous material management system of state purchase and distribution with commodity exchange on the markets. In the past, it was believed that planned production and distribution was a principle that socialist society must observe. However, it has been proved that as the market commodities are numerous and constantly replacing the older generation of products with new ones, the state planning departments cannot possibly closely follow these changing market demands. Because many socialist countries exercise the planned management of production and distribution and therefore have very few commodities, they cannot satisfy the needs of the people's livelihood and the constant renewal of products. This kind of socialism cannot compete with capitalism. For production to fully meet the need of diversifying the people's livelihood, it is imperative to develop the commodity exchange on market, protect competition, and expand the decisionmaking power of enterprises to let them gradually break away from the trammels of tedious plans, cater to markets, and constantly readjust their production development direction.

To develop the commodity economy, we must make full use of the law of value, consolidate the irrational price system formed under planned management, further reform the price management system, gradually remove the controls over prices, and fully use the regulatory role of the law of value. In the past, we maintained that only the implementation of requisition purchase, unified purchase, and purchase by state quotas could ensure the people's needs for various agricultural products. [paragraph continues]

Therefore, due to the control over prices, the development of production could not satisfy the needs of the people's livelihood and we had to resort to the inadequate method of rationing to ensure the market supply. Over the last few years, as we have thoroughly changed the planned management system of agricultural production, decontrolled prices of agricultural products, and done away with rationing, production has developed rapidly, the market supply has become increasingly plentiful and the people's livelihood has been speedily improved. This method is now gradually spreading from agriculture to industry to enable the industrial enterprises to also expand their decision-making power. With the exception of an extremely small number of important products affecting the national economy and the people's livelihood, industry has also been emancipated from the tedious planned production and distribution and geared to the market needs in order to be competitive. The rapid development of industrial consumer goods has also proved our policy to be entirely correct.

In the past, the important industries in our country were managed by ministries and departments and the less important industries were managed by the localities, thus forming barriers and fetters between departments and regions at different levels, which disrupted the intertrade and transregional lateral combinations, the large-scale socialized production, and the economic bases indispensable to socialism. At present, we are vigorously developing the intertrade and transregional lateral economic combinations and multilevel economic integration. Therefore, the socialist economy of our country has changed from the closed "large-scale production" artificially formed according to plans to the open large-scale socialized production in keeping with the needs of the development of the commodity economy. This is another important change in the economic structure of our country.

With the system of ownership of the means of production in our country still being based on socialist public ownership, we should delegate management powers in a step-by-step way. In the rural areas, due to characteristics like the seasonal agricultural production and so on, we should not carry out large-scale collective labor but delegate management power to individual households to carry on the system of contracted responsibility based on households with payment linked to output on the basis of public land ownership. With the exception of the large enterprises affecting the national economy and the people's livelihood, the management of most of the industrial and transportation and communications enterprises is also being gradually transferred from the ministries of the central authorities to the local provinces and cities and then from provinces and cities to enterprises, so as to gradually convert them into relatively independent commodity producers and operators keeping separate accounts and being solely responsible for their own profits and losses. Meanwhile, we should allow provinces, cities, counties, as well as townships and villages to retain their own funds to independently develop various economic undertakings. We should also allow the development of individual economy. With the state-owned economy playing a leading role, the state-owned, collective and individual economies can work together to fully exploit the initiatives of all the enterprises and laboring people and compete with each other, so as to make our national economy fully energetic and vigorous. If we do not eliminate the previous malpractice of enterprises eating from the big pot of the state and staff and workers eating from the big pot of enterprises, we cannot fully display the strong points of socialism.

As the economic structural reform in our country is still under way and we have only determined the orientation and accomplished part of the reform, to so-called socialism with Chinese characteristics is only a rough sketch in which we can gradually fill in the details. We must still constantly study in practice how to continue to carry out the reform. [paragraph continues]

As for what economic pattern we should adopt, the criterion is not whether it tallies with the unalterable doctrines of some great thinkers of the past, but whether it is advantageous to the development of the productive forces and the gradual perfection of the material and cultural life of the people, namely, judging it by Marx' historical materialism. Of course, while reforming the economic bases, it is still necessary to correspondingly reform the super structures, in particular the democratization of politics. The democratization of politics requires a process, and the political and economic reforms must be carried out under the leadership of the party. In the reforms, we should eliminate the pernicious influence of the feudal society and adapt ourselves to contemporary trends. Moreover, while absorbing the capitalist democratic ideas and scientific and cultural concepts formed in the economic development, we should combat the influence of the decadent ideas of capitalism. The democratization of politics and the modernization of science and culture are also important causes to be accomplished in the reform of our country.

GUANGMING RIBAO NOTES PRIMARY PHASE OF SOCIALISM

HK090947 Beijing GUANGMING RIBAO in Chinese 23 Mar 87 p 3

[Article by Wu Shuqing (0702 2885 7230): "Several Questions Concerning the Primary Phase of Socialism"]

[Text] Editor's note: According to Marxism and in the light of the realities of China, the "Resolution on a Number of Historic Problems of the Party Since the Founding of Our Country," which was adopted by the 6th Plenary Session of the 11th CPC Central Committee, clearly points out that our country is in the primary phase of socialism. Profoundly understanding this inference, studying the question of the phases of development of the socialist society of our country, and further understanding enriching the Marxist basic theory on this question is of important significance for enhancing our conscientiousness in building socialism with Chinese characteristics, adhering to the four cardinal principles, and opposing bourgeois liberalization; to formulating the strategy, tactics, and policies of socialist construction; opposing the "leftist" and rightist mistakes; and for continuously pushing the socialist cause forward. In view of this, beginning with the article by Wu Shuqing in this issue, this newspaper has specially commended the "exploration of the questions concerning the phases of the development of socialist society." We sincerely look forward to articles actively contributed by readers. [end editor's note]

Correctly judging what phase of socialist development a socialist country is in during a given period of time is the most important starting point and most basic task for the working class and this country's party to formulate a correct strategy and tactics.

History and realities tell us that a fault in judging what phase the current social development is in, regardless of whether the phase goes beyond history or lags behind realities, will bring about harm to the development of the socialist cause. If we overestimate the phase of development, we shall surely act with undue haste, put forward impracticable demands on all spheres, including economy, politics, ideology, culture, and social life, and compel people to complete all tasks which cannot be completed in the present phase; otherwise, if we estimate the phase of development insufficiently, we shall surely stick to old ways and postpone putting forward and resolving the tasks which have now maturely developed. Either the former or the latter will seriously dampen the masses' enthusiasm, make socialist society suffer big setbacks in the course of development, fail to bring its inherent superiority into play, and impair the new social system. [paragraph continues]

Therefore, Marxism has always vigorously emphasized the scientific analysis of the question of the phases of historic development in which the revolution is. Lenin held that it was necessary to view a social problem in a scientific light and to investigate what major phases through which society passed in the course of development ("Selected Works of Lenin" Volume 3, page 479). Comrade Mao Zedong also pointed out that if people did not pay attention to the phases in the course of the development of things, they could not suitably handle the contradictions in things" [quotation marks as published] ("Selected Works of Mao Zedong" Volume 1, page 289).

The "Primary Phase of Socialism" Is the Scientific Summarization of the Social Nature of Our Country in the Present Phase [subhead]

Marx clearly distinguished between socialism and communism -- two phases which can show the different degrees of maturity in the aspect of the communist economy. However, this was limited by the historic conditions at that time and they had not specifically stipulated the questions of the phases of the development of socialist society. On the basis of the Marxist theory and method, Lenin foresaw that the period of socialism gradually developing into communism would be divided into phases. After the October Revolution, in the practice of leading the socialist revolution and construction, Lenin also emphasized on many occasions the questions of phases in the course of heading for communist society. Due to the fact that Russia was then in the initial period of the transition period of socialism, Lenin held that it was impossible to explain the specific contents of all phases in the course of the development of socialist society. Regarding how to determine the phases of social development after the establishment of the socialism system of our country, in accordance with the basic theory and basic method of Marxism and on the basis of summing up the experiences in the practice of socialism, we must carry out refinement and summarization and put forward new thesis.

In the mid-1950's, under the leadership of the party, the people of our country shifted new democracy to socialism in a planned way and after we entered socialist society, Comrade Mao Zedong pointed out that the socialist system of our country had been just established, had not been completely established and consolidated, and should be continuously established and consolidated. He held that after we build up a modern industrial and agricultural foundation for a certain period of time and after productive forces developed relatively fully, it could be said that our socialist economic and political systems had a relatively solid material foundation and socialist society was basically founded. What was expressed here was actually the idea of the primary phase of socialism. However, due to lack of understanding of the law of development of socialist society and to insufficient ideological preparations made by the party for completely building socialism at that time, this correct understanding could not be adhered to in practice. Conversely, after the rural people's commune drive was rashly launched, it was held that socialism of our country had entered a new and higher phase. Subsequently, due to the fact that socialist society was included in the scope of the transition period of struggle between declining capitalism and growing communism, the major contradictions and main tasks in society, and the focal point of the work of the party and country, as understood, were not in line with Marxism and were divorced from the practical conditions of our country. Practice proves that either overestimating or underestimating the social nature of our country at the present phase will harm the development of the socialist cause of our country.

Since the 3d Plenary Session of the 11th CPC Central Committee, due to the reestablishment of the practical and realistic Marxist ideological line of the party and to the profound education for the whole party in the tortuous development of the socialist revolution and construction for some 20 years, we can have a relatively deep understanding of the law of the development of socialist society and conduct a scientific analysis of the questions of the phases of the development of the socialist society of our country. [paragraph continues]

The "Resolution on a Number of Historic Problems of the Party Since the Founding of Our Country," which was adopted in June 1981, clearly proposed for the first time that "our country was still in the primary phase of socialism." The 12th party congress reiterated this view in August 1982. The "Resolution on the Guiding Principle for Building Socialist Spiritual Civilization," which was adopted by the 6th Plenary Session of the 12th CPC Central Committee in 1986, further expounded on this proposal. This scientific thesis clearly affirms on the one hand that our country has established a socialist system and entered a socialist society; and on the other hand, also emphatically points out that our socialist system is still in the primary phase of development, that it will surely entail a long course for a relatively imperfect socialist system to develop to a relatively perfect socialist system, and that the socialist system has unavoidably borne many vestiges of the old society in all aspects, including the aspects of economic and social development.

The proposal of the primary phase of socialism completely conforms to the thesis on the realities of our country. As a social system which is higher than capitalism, the relatively mature development of socialism must be built on the foundation which is higher than capitalist labor productivity and therefore needs a high degree of material and technological foundation on which socialism develops by itself. Our country was originally a semicolonial and semifeudal society and its economy and culture was relatively backward. After the establishment of the socialist system, it is impossible to quickly create a highly developed material foundation required by the phase of a relatively high development. Therefore, our country can only be in the primary phase of development for a very long period of time. This is the practical condition of our country and is the basic starting point of socialist construction and reform on which we are now embarking. If we depart from this starting point, we cannot possibly score success in construction and reform.

The Basic Characteristics of the Primary Phase of Socialism [subhead]

To analyze the characteristics of the primary phase of socialism, we must first see that the primary phase is a phase of development of socialist society. Although the primary phase is substantially different from the other phases of development in adopting measures and the method to resolve the contradictions confronted by society, it must have a common inherent essence of socialism, which was first expressed in the initial building up of a material and technological foundation of socialism in the economic sphere, that is, the building up of the fairly considerable modern economy at different degrees in all departments of the national economy and the establishment of an independent and relatively complete industrial system and national economy system. On this basis, socialist public ownership has firmly established a dominant position in the social economic system and has become a main economic component part. Having entered the socialist phase is a decisive hallmark of our country and the primary phase determines the changes in all other spheres of social life. Production under socialist public ownership dominates the role and effect of production and it becomes a light illuminating all places and covering all other colors and makes the characteristics of other things change. Therefore, with the victory in socialism, the struggle between two classes and two roads existing in the transition period has been settled and the transformation of the component parts under nonpublic ownership still existing in a certain scope is no longer of such important significance as in the transition period and is no longer a current urgent task. Suiting socialist public ownership, the principle of distribution according to work, has become a basic principle for distributing individual consumer goods. The commodity economy built up on the foundation of public ownership must fully develop but must develop in a planned and controlled way. The development of the national economy is, as a whole, not subject to the blind control by the law of supply and demand. The national economy can, on the whole, develop in a planned way, in proportion, and in a coordinated way.

In the political sphere of society, laboring people have become the masters of their country and society, and led by the working class and with the worker-peasant alliance as the foundation, the people's democratic dictatorship has been consolidated and developed. The exploiting class has been eliminated as a class and the class struggle is, therefore, no longer a main contradiction at home. However, due to the domestic factors and under international influence, the class struggle will exist in a certain scope for a long period and will likely become acute under certain conditions.

In the ideological and cultural spheres, socialist ideology, with Marxism as the guide, has established a leadership position in all ideological and cultural spheres, a foundation of socialist spiritual civilization has been laid, and ideological and moral building and education, scientific, and cultural building is developing.

On the other hand, in the primary phase of socialism, as the preliminary phase of development of the new society, the inherent essence of socialism has not fully developed in the economic, political, and spiritual aspects and more vestiges of the old society will surely remain. This is mainly expressed in some aspects as follows:

First, material civilization is underdeveloped and the existing material and technological foundation does not completely suit socialism. This has been specifically expressed in the low level of the development of productive forces and in the imbalance of economic development. Although a considerably modern economy has been built up and although there are a large number of key enterprises equipped with advanced technology, the technological level and level of socialization in the national economy as a whole is still not high and our own material and technological foundation, which has been built up on the alien technological foundation at a fairly large degree, has not fully developed. This is the most basic reason for determining that the present phase is the primary phase of socialism. Second, the economy under socialist public ownership is still unlikely to embrace all spheres of the social economy and under the premise of public ownership which is regarded as the main body, many economic sectors must develop. As the material and technological foundation in the primary phase is still underdeveloped, there is an objective basis for the existence of the economic sectors under nonpublic ownership, their role cannot be replaced, they are beneficial to impelling the development of productive forces in the scopes where they are suitable. Therefore, the problems of their transformation and elimination will not exist for a fairly long period of time. Third, the economy under public ownership and many other economic sectors have developed together and suited each other and many forms of distribution of consumer goods will surely exist. Many situations in distribution exist in the production conditions themselves in the primary phase of socialism and likewise, the forms of distribution of the means of consumption are varied. Except for distribution according to work which exists as an aspect of the production relations under public ownership, there have existed many forms, including distribution according to ability, distribution according to value, and distribution according to the situation in the possession of the means of production. All forms of income from exploitation cannot, therefore, be completely eliminated. Fourth, the planned commodity economy is still underdeveloped and the self-sufficient natural economy has still occupied a fairly large proportion. In the primary phase of socialism, due to lack of ample material conditions and the economic foundation, not only the planned economy cannot attain a relatively complete and perfect degree, but also the commodity economy is still very underdeveloped on account of the low level of division of work and of socialization of production. Fifth, although the most advanced political system in history has been established, the democratic politics of socialism are still not perfect enough. [paragraph continues]

It entails a long course to build up a high degree of democracy, to democratize the political life of the country, economic management, and the social life as a whole, and to systematize and legalize democracy. Sixth, socialist spiritual civilization has not attained a highly developed degree. Decadent capitalist and feudalist ideology is still hitting people's ideology and the education, scientific, and cultural levels still await popularization and promotion.

Construction and Reform in the Primary Phase of Socialism [subhead]

The primary phase of socialism has its own law of development. To score a success in socialist construction and reform, it is necessary to adapt construction and reform to its own law.

First, the basic task in the primary phase of socialism is to develop social productive forces. Under the specific conditions of our country, we must gradually achieve the modernization of industry, agriculture, national defense, science, and technology and build China into a powerful modern socialist country. Economic construction is, therefore, the focal point of the work of the party and country and all aspects of work must be subordinated to and serve economic construction - the center. Economic construction in the primary phase will encounter various difficulties. We must, therefore, adhere to the principle of proceeding from the national conditions and doing what we are capable of and combat impatience for success and impetuous and rash advance. On the other hand, we must fully appraise the inherent superiority of the socialist system and the socialist enthusiasm of the masses, struggle hard, and combat the dispirited feeling.

Second, it is imperative to unswervingly implement the principle of reform, opening up, and invigoration. This is necessary for the development of social productive forces in the primary phase of socialism and is a requirement for adapting the readjusted social production relations to the characteristics of the primary phase. The original economic system of our country was largely built up on the foundation from which we lacked clear scientific understanding of the current phase of socialism. We have one-sidedly stressed "large in size and having a large degree of public ownership," confused proprietary right and operation right, ignored commodity production, the law of value, and the role of the market, taken getting rich together for getting rich completely equally and simultaneously, and not admitted that the income of the members of society can differ relatively greater among them. All this has been divorced from the economic characteristics in the primary phase of socialism and from the practical national conditions. As a result, the production relations do not completely meet the needs of the development of production forces in the present phase.

Finally, it is imperative to adhere to the four cardinal principles and to oppose bourgeois liberalization. The primary phase of socialism means that the socialist system has been established but not completely established and is not completely mature. The socialist system awaits further consolidation and development. In this phase, it is impossible to create conditions for making capitalism unable to exist or to be reproduced. This therefore determines that we must wage a protracted struggle against all statements and trends of bourgeois liberalization which are all statements and trends of bourgeois liberalization which are sceptical about and negate the four cardinal principles and determines that we must adhere to the socialist orientation either in construction or reform. Only by doing so can we enable socialism to gradually become mature, to develop, and to unremittingly head for the phase of a higher development.

liaomiao outlines new export production system

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[Article by Li Qin (2621 0530): "China Prepares To Set Up a New Export Production System"]

[Text] As this reporter learned from the Ministry of Foreign Economic Relations and Trade, China will gradually form during the Seventh 5-Year Plan an export production system that integrates foreign trade with industrial and agricultural production and comprises export commodity production bases and factories specialized in producing export goods.

According to the plan for establishing this new export production system, a number of modern export commodity production bases that require not too much investment, achieve quick results, have a proper scale, and are able to produce high-class goods will first be set up, and then some enterprise groups specializing in producing export goods will be organized and established. This will lay a foundation for China to establish an integrated export production system with Chinese characteristics in the future.

The pilot schemes for setting up new-type production bases and factories specialized in producing export goods have begun. The Machine-building Department has taken the lead in this by carrying out technological transformation in a number of backbone enterprises that produce instruments and apparatuses to turn them into export bases. The machine tool industry in Shanghai has contracted a certain amount of loans from some international banks for the purpose of transforming a number of key enterprises and turning Shanghai into a major base for exporting machine tools. In addition, the Ministry of Agriculture, Animal Husbandry, and Fishery; the Ministry of Chemical Industry; and the Ministry of Light Industry have also begun to take steps to set up export production bases.

According to some economic and trade officials, establishing the new export production system is one of the major strategic measures to change China's export structure and increase foreign exchange earnings from exports.

The authorities planned and decided to establish this new export production system because they found that the existing export commodity production bases and specialized factories had achieved satisfactory results in expanding exports.

The mainland began to set up various export commodity production bases and specialized factories in the early 1960's. At that time, a tropical plant production base was set up on Hainan Island and some soybean production bases were set up in Heilongjiang and Jilin. In the 1970's and 1980's, China established more export commodity bases and factories specialised in export production, and their functions in supplying export goods and increasing foreign exchange income also became increasingly outstanding.

According to statistics, the 33 comprehensive export production bases in the whole country supplied 10 billion yuan worth of export goods to the state in 1984.

In the 1970's, Jiangsu Province set up 4 comprehensive export bases in Suzhou, Yangzhou, Xuzhou, and Wuxi; 42 single-product export production bases; and 26 special plants and workshops for producing light industrial goods, textile goods, and silk for export. [paragraph continues]

In the past 10-odd years, this province has produced and exported a number of key products that enjoy a good reputation and have competitive power in the international markets. For example, the 28 export production base counties in this province have exported a total of 2 million sheets of sheepskin. Such export enterprises as the Pacific Fabrics Group (Corporation) run by the Wuxi No 1 Textile Plant, the Combination Body of Corduroy Plants in Changzhou City, and the Shuiyue Khaki Group (corporation) run by the Dongfang Dye works in Changzhou have developed into a group of enterprises that produce and export 1 million bolts of colored fabrics a year. They have expanded their production capacity and competitive power in exports through making joint investments, carrying out joint operation, and adopting other forms of combination.

In the Changjiang Delta area, the Zhujiang Delta area, and the southern Fujian area around Xiamen, Zhangzhou, and Quanzhou, more than 300 export bases for producing farm and sideline products have been set up in the last 2 years. The supply of export goods by these bases increased by 20 percent in 1985 over the previous year, and increased again by some 40 percent in 1986.

The Shenzhen Special Economic Zone has also set up hundreds of export production bases in recent years to produce farm, animal, and aquatic products. Shenzhen has imported fine breeds of milk cows, pigs, and perch from New Zealand, Belgium, and California of the United States and the improved varieties of flowers, grapes, and pomegranates from the Netherlands, Japan, and Thailand. It has also introduced advanced techniques in raising oysters and high-quality fish. This has enabled Shenzhen to export over 50 percent of its products to overseas markets. The net foreign exchange income from exporting the farm, animal, and aquatic products in 1985, with the cost of imported technology and equipment being deducted, reached 300 million Hong Kong dollars. The figure in 1986 increased more sharply, by 100 million.

The export commodity bases and special factories for producing export goods that were set up in the 1960's have played a rather important role in China's foreign trade. However, due to continuous changes in the international markets and the development of China's economic structural reform and modernization construction, the existing export commodity bases, in both scale and export structure, can no longer meet the needs of today's foreign trade. On the one hand, China needs a huge amount of funds, especially foreign exchange funds, for its economic construction, because China must pay foreign exchange in order to import advanced technology. In recent years, China's foreign trade deficits remained large, so it is urgent that China expand exports to earn more foreign exchange. On the other hand, there is still a series of problems in export. For example, the supply of export goods is not stable, goods are not delivered on time, export goods cannot be flexibly adapted to the market needs, and the parties concerned cannot get access to market information. Therefore, it is of great immediate significance for China to establish a new export production system that includes production, processing, storage, research, and information links.

This is the background against which China plans to establish and put into practice a new-type export production system.

As for the new export production, China plans to first establish three major export commodity bases: The export production base of mechanical and electrical products, the export production base of light industrial and textile products, and the export production base of farm and sideline products. The export base of mechanical and electrical products is composed of the main backbone factories in this industry throughout the country, with their products being changed from elementary and semi-finished products to finished products. All or most of the products of the base will be exported. [paragraph continues]

The export base of light industrial and textile products is mainly set in Jiangsu, Guangdong, and Liaoning Provinces, Shanghai Municipality, and Qingdao and Yantai Cities. The export production base of farm and sideline products will mainly be located in the producing areas of various specific products. For example, the coastal open cities and special economic zones that have good conditions for planting crops, raising animals, and processing and transporting products can set up as many export bases as they can. The soybean export production bases will be set up in Heilongjiang and Jilin Provinces, the main soybean producing areas.

In China's plan to establish a new-type export production system, some animal and milk product export production bases will be set up in Nei Monggol, Qinghai, Gansu, Ningxia, and Xinjiang; some silk export production bases will be set up in Sichuan, Jiangsu, Hunan, and Guangdong Provinces; some tea export production bases will be set up in Fujian, Sichuan, and Yunnan Provinces; and some herbal medicine export production bases will be set up in Jilin, Hebei, and Yunnan Provinces.

In order to realize the plan for establishing new-type export production bases as soon as possible, China has adopted a number of concrete measures to support the existing export production bases and special factories for export production:

- Setting up export development funds. The funds are mainly used to carry out enterprise technological transformation and development, improve infrastructural facilities, import advanced production and processing technologies and key equipment, and import improved varieties and breeds and research instruments. At the same time, they are encouraged to actively make use of foreign loans with preferential terms, attract direct foreign investments, and run joint ventures with foreign investors to speed the development of the export production bases and specialized factories.
- Guaranteeing their demands. The raw materials, fuel, power, packing materials, and transport facilities needed by the export bases and special factories that export all or most of their products will be first guaranteed.
- Awarding exports. Award funds will be given to export production bases and export-oriented special factories that supply quality export goods, successfully fulfill export tasks, and earn more foreign exchange income. The money can be used to develop production or as workers' bonuses.
- Adopting a system of leaving part of the foreign exchange income in the hands of the enterprises. The export production bases and special factories have the right to retain a certain percentage of foreign exchange income in their own hands and use the money on their own. Those that overfulfill the export tasks can even retain additional foreign exchange income.
- Enjoying preferential treatment of tax reduction or exemption. The import of equipment and raw materials for developing export production and the export of the relevant products can be exempted from customs duties, or such duties can be reduced in light of the relevant state regulations. This will help the enterprises lower their operational costs and increase export income.
- Price protection. The export prices of the export goods will be set in light of the conditions of the international markets. The purchase prices of such goods from the manufacturers will be fixed in light of the quality of the goods. When the goods are purchased at negotiated prices, the upper and lower limits of the prices will be fixed to guarantee the interests of both the state and the manufacturers.

-- Adopting different economic assessment methods for export-oriented enterprises and domestic-market enterprises. For the export-oriented enterprises, the economic assessment should mainly be made in the aspects of foreign exchange earnings, performance of contracts, and costs of export. The level of their profit retention should be somewhat higher than that of enterprises oriented to domestic markets.

'HEAVY INVESTMENT' TO ATTRACT FOREIGN INVESTORS

HK090434 Beijing CHINA DAILY in English 9 Apr 87 p 2

[By staff reporter Xie Songxin]

[Text] China's second largest island is making an unprecedented move to create a favourable environment for overseas investors with heavy investment concentrated on energy, telecommunications, and transport.

Hainan Island, one of China's open coastal areas which enjoy flexible policies to attract foreign investment, plans to invest 1.27 billion yuan (\$342 million) this year to improve facilities and update present industries, Meng Qingping, top official of the Hainan Administrative Region, told CHINA DAILY.

He said that the investment, the heaviest in the history of the island, will develop its abundant tropical resources and make its economy export-oriented after its recovery from the "vehicle scandal" which shocked the country when revealed two years ago. The scandal involved the resale of 89,000 imported motor vehicles and other consumer goods for huge profits.

The money invested will also facilitate the island's plan to export \$200 million worth of goods by 1990, Meng said.

"The heavy investment in the island doesn't run counter to the state's tightening of capital construction because all the projects are under the state's plan," said Meng, who is attending the current session of the Sixth National People's Congress in Beijing.

The central government determined to develop the island, granted it province-level authority over economic management last year. Chinese leaders have reiterated that Hainan's flexible policies and preferential treatment for foreign trade and investment will not be changed.

The island authorities say most of its investment during the Seventh Five-Year Plan (1986-90) will be in the following spheres.

About 400 million yuan (\$108 million) will be used to renovate and construct ports. Hainan is now expanding or building six major ports around its coast.

By 1990, port handling capacity in Hainan is expected to be 14.1 million tons annually, nearly double the present level, Meng said.

Haikou Airport on the northern tip of the island will be expanded to become an all-weather international airport by the end of this year, with an investment of 18 million yuan (\$4.85 million).

A plan to build another airport has been submitted to the State Council for approval, Meng disclosed. It will be built outside Sanya, the southmost tip of the island, which will be developed as a tourist centre. Funds will be sought on the international market.

To ease the severe shortage of power, the Hainan Administrative Region will invest 300 million yuan (\$80.8 million) to increase its electricity generating capacity by 388,000 kilowatts by 1990, Meng said.

The increased supply can roughly meet demand from industrial and agricultural production during the current five-year plan and even in the early period of the next five-year plan, he added.

In another move, the island plans to spend 17 million yuan (\$4.58 million) to import microwave and automatic telephone facilities to improve telecommunications.

COMMENTATOR'S ARTICLE NOTES ECONOMIC FACTORS

HK081407 Beijing JINGJI CANKAO in Chinese 17 Mar 87 p 1

[Commentator's article: "Three Crucial Economic Factors for This Year"]

[Text] Recently, all the localities have been implementing the spirit of the several important national meetings called by the party Central Committee and the State Council and studying how to grasp well the major aspects of politics and economics.

For the economic work, the determined principle of the state is to compress the atmosphere, increase production and practice economy, and increase revenue and reduce expenditure. The cadres at all levels and the broad masses all support this principle, believing it to be the key to grasping well the current economic work and advantageous to realizing the objective of the long-term and steady development of the national economy.

Whether the spirit of the meetings is well-implemented primarily depends on whether the leaders at all levels have truly reached a common understanding of the directives of the central authorities. People cannot just support the compression of atmosphere in principle but stress that "as the atmosphere in my place is insufficient, it should be boosted and heated rather than being compressed" when their own localities and departments are involved. They cannot just stress in words the need to increase production and practice economy but commit extravagance and waste in deed. They should not maintain that efforts should be made to reduce the capital construction of other localities but increase the investment in their own localities or units. They should not abstractly express the need to ensure the key construction projects but stress themselves to be the key construction projects while making plans. Moreover, departments at all levels should not regard their own projects as key construction projects. As for what exactly the key construction projects and the key projects to be protected in financial revenue and expenditure are, the central authorities have already made clear definitions. We must act according to the principles of the central authorities.

On the basis of reaching a common understanding, we should pay attention to three key crucial factors:

First, we should see whether the enterprises are more vigorous than before. [paragraph continues]

As enterprises are the cells of the national economy, the prosperity of the national economy of a country depends on the vitality of the individual enterprises, and the country is powerful if the enterprises are vigorous. The central authorities have explicitly proposed to protect enterprises, and enterprises support this spirit very much, because in many localities enterprises are still "the meat of Monk Tang" sought after by everyone. Notwithstanding that the party central authorities and the State Council have delegated many powers to the enterprises, for various reasons many of these powers are retained by departments and regions at different levels and have not reached the enterprises. Although some powers have been given to enterprises, because of the lack of coordinated measures they are still "the pancakes in a mirror" which can benefit no one. Therefore, it is highly necessary for the departments at all levels to enhance their understanding of the importance of protecting enterprises. People should all protect the enterprises, safeguard the legitimate rights and interests of enterprises, and stop the malpractices of issuing confused orders and wantonly apportioning expenses to enterprises. To protect enterprises, we must have specific measures and should not only make empty talks. Protecting enterprises is not only the business of a certain level or a certain department, but the work of the whole party and the whole society. Every level and department should have the responsibility to adopt measures and boldly correct their previous methods incompatible with the principle of protecting enterprises.

Second, we should see whether this year's agricultural production can be increased and whether the reserved potential of agriculture is increased. Agriculture is the basis for the national economy and affects the income of the 800 million peasants, the livelihood of the people of the whole country, and the development of the light industry with the agricultural sideline products as its raw materials. The stresses of this year's agricultural production are still grain, cotton, and pigs. The reserved potential of agriculture is still the farmland capital construction and the development of agriculture. As the production periods of agriculture are long, we should have long-term plans and strategic arrangements, rather than being short-sighted and only seeing the immediate interests. Since there are advantageous as well as disadvantageous conditions for this year's agricultural production, we should make an overall analysis, keep cool-headed, and proceed from the actual conditions in doing everything. Being unrealistically optimistic and feeling disheartened are equally wrong.

Third, we should see whether the construction funds are centralized. The purpose of compressing the atmosphere is not to engage in construction but to carry out the construction better and concentrate the limited capability onto the key construction projects. At present, as consumption funds have inflated and the construction funds have seriously decentralized, it is imperative to resolutely reduce the nonproductive expenses, centralize all the possible funds and ensure the key construction projects. What are the key construction projects? There can only be the key construction projects mentioned by the central authorities, rather than the key construction projects started by the different levels.

The more deeply the spirit of the central authorities is implemented in the grass-roots units, more specifically the varied problems can exposed. Therefore, the policies should be more detailed and the work should be carried out more meticulously. It will not work to make only some general calls, transmit documents to different levels, and call mass meetings.

ECONOMIC STATISTICS ON COASTAL CITIES CITED

OM090915 Beijing BEIJING REVIEW in English 30 Mar p 31

[State Statistical Bureau's facts and figures on economic progress in 14 coastal cities]

[Text] The 14 coastal cities, which were designated open cities in 1984, produced an industrial output value of 199.2 billion yuan in 1986 (not including enterprises run below the village level), or 7.4 percent more than in 1985; 350 million tons of goods were handled by ports, an 11.3 percent increase; retail sales value of social commodities reached 63.6 billion yuan, a 14.3 percent increase; and financial revenue reached 33.9 billion yuan, a 1.5 percent increase.

The growth rate of industrial production in Zhanjiang and Lianyungang Cities reached 23 percent and 20.7 percent respectively, and their financial revenue by 20.6 percent and 8 percent respectively. Yantai, Qingdao, Ningbo, Wenzhou and Fuzhou each saw a 10 percent or so increase in their industrial production, with their financial revenue also growing at varying degrees.

In 1986, the 14 cities spent the foreign capital they attracted on improving the investment environment, readjusting investment structure and developing their export-oriented economy.

Investment Environment [subhead]

In 1986 investment by their state-owned enterprises in fixed assets totalled 31.1 billion yuan, 19.6 percent more than in 1985. This includes 18.12 billion yuan in capital construction, an 11 percent increase. The improvement in their public facilities has created better conditions in which foreign investors can live and work.

Following the completion in October 1985 of the four deepwater berths, the Dalian Port, which is capable of handling over 42 million tons a year, has begun working on two 10,000-ton coal berths, and a 20,000-ton and a 30,000-ton hazardous goods berth at Heshan Island. In the meantime, it has started its first-phase oil tank harbour expansion project which is designed to boost its crude oil handling capacity to 3 million tons a year. The city of Dalian has also improved its telecommunications and power supply. It has imported from Sweden a 40,000-channel programme controlled telephone exchange, with 20,000 channels already in service. Construction of a power station with an installed capacity of 700,000 kw is in full swing and a number of new hotels will open soon.

Yantai has rebuilt its Laishan Airport, which has flights to Beijing, Shanghai, Jinan Dalian. Construction of three 25,000-ton berths and three 16,000-ton berths at the Yantai Port is going forward, as is the renovation of the Lancun-Yantai Railway. Work on the Yantai-Fushan and Yantai-Qingdao highways, both well made, is about to be completed. The installation of the small coaxial telephone cable linking Yantai with Jinan and the construction of the main telecommunications building have been completed and the 10,000-channel programme controlled exchange will go into operation soon.

Qingdao has also made much headway in improving its communications, post and telecommunications. The city has completed building the Liuting Airport, big enough to receive large aircraft, and the bulk of the Qingdao-Jinan Railway has been double-tracked and is now open to traffic. Since last July, Qingdao has been using a computerized cable exchange for direct contact with foreign countries. Installation of a large-scale integrated circuit programme controlled exchange, which is considered very advanced at home, has been accomplished.

Investment Structure [subhead]

In 1986 the 14 cities signed 2,741 agreements (contracts) worth U.S.\$1.26 billion in foreign investment. Foreign capital actually used amounted to U.S.\$320 million, or 13.3 percent more than in 1985. In the past, foreign investment was used mainly for the construction of service projects such as hotels and recreational facilities. But 1986 saw foreign investment flow into industrial projects which are technology-intensive and export-oriented.

In Shanghai, there were 63 projects involving U.S.\$300 million in foreign investment. Most of them were industrial and technological, making things such as laser products, electronics, chemicals and new materials.

Yantai secured 35 foreign contracts last year. Fifteen of them were for direct foreign investment in 10-odd trades including intensive food processing, light industry, machinery, textiles, garment making, building materials, electronics and service facilities.

Of the 200 project contracts Tianjin signed with foreign businesses last year, 62 percent were industrial. These joint-venture projects cover 20-odd fields including industry, animal breeding, international sea transport and technological consultancy.

Export-Oriented Economy [subhead]

The bulk of the Sino-foreign joint ventures, co-operatively managed projects and solely foreign owned enterprises now commissioned in these cities are performing well, with some foreign exchange surplus being earned. Of the 60-odd joint-ventures in operation in Tianjin, some 50, or about 82 percent, had a favourable foreign exchange balance. A quarter of these enterprises are industrial. Their average profit rate was 20.5 percent and that for industrial enterprises 25.5 percent.

There are 40 industrial enterprises with foreign investment in Shanghai. Last year, 22 of them produced an output value of over 500 million yuan, each 61 percent more than in 1985. Their profit totalled some 75 million yuan, and their export value reached 27 million yuan. Of these larger enterprises, 15 balanced their foreign exchange income and expenditure, and 14 had some foreign exchange surplus.

Of the 43 foreign funded enterprises now commissioned in Dalian, 27 balanced their foreign exchange.

New Channels for More Export [subhead]

Implementing the open foreign policy Nantong has been able to maintain a basic balance in import and export. First of all, it set up and perfected an export production system for cotton, silkworm cocoon, cotton yarn, cotton cloth, other cloths and citric acid. In bringing in foreign capital and advanced technology, the city put emphasis on export-driven projects involving less investment but producing more profit. The 90 imported projects and foreign funded projects, now in operation, yield a foreign exchange income of U.S.\$39 million a year.

Nantong also increased export of manufactured goods. At present, light industrial products and textiles account for 60 percent of the city's export value. Nantong, which has so far simply exported products, begins exporting complete sets of equipment and offering technical and labour services to other countries. In 1986, the city's foreign exchange reserves reached over U.S.\$50 million, or U.S.\$37 million more than 1985.

In readjusting its industrial product mix, Shanghai put emphasis on the development of export products. In the meantime, it worked hard to update its production technology to increase production and export. The Shanghai Jiafeng cotton textile mill completed 178 technological transformation projects in five years. As a result, some of its products are of a higher quality than their Japanese counterparts. All its cotton cloth has been sold abroad. In 1986, the factory earned U.S.\$20 million from export.

The Shanghai No 2 shirt factory is known for its "Hailu" shirts. Through import and renovation, its outmoded 1950's and 1960's equipment has now been replaced with up-to-date machines, which has more than doubled production of its brand-name products. In 1986, Shanghai's foreign trade companies purchased 11.44 billion yuan worth of products for export, 12.4 percent more than in 1985.

Qingdao stressed intensive processing and upgrading of its export products.

The Qingdao towel plant now exports over 60 percent of its products. The Qingdao refrigerator factory used to make small hardware. In 1985 it succeeded in assembling a four-star refrigerator named Qindao-Liebherr, the first of its kind in China. It is selling out in big cities like Beijing, Tianjin and Shanghai. The "Gold Anchor" watches made by the Qingdao watch factory are good and offer it choice of styles. They have made their way onto the international market. In 1986, the factory exported 314,000 watches and major parts for 15,000 watches.

The 14 cities have also redoubled their effort to expand their foreign trade. In 1986 they purchased 25.33 billion yuan (calculated according to the actual prices) worth of products for export, 26 percent more than in 1985.

Many problems still haunt the 14 cities, however. Some cities, too eager for success, took on too much construction. The result is very serious: both capital and raw materials are in serious shortage; and cadres are less professional to the task, lacking an understanding of the complexity and risks involved in use of foreign capital. Some imported projects still use foreign raw materials and parts, with the result that they run short of foreign exchange. In some cities, the investment environment is not good enough for foreign businessmen, and leaves much to be desired. There are also cases of overlapped importation and blind construction. Some even were fooled in trading with other.

QUNYAN ON BETTER TREATMENT OF INTELLECTUALS

HK090649 Beijing QUNYAN in Chinese No 2, 7 Feb 87 p 1

[Article by Qian Jiaju (0578 1367 7467) dated 14 December 1986: "A Talk About the Treatment of Intellectuals"]

[Text] Comrade Deng Xiaoping stated: "The key to our realization of modernization lies in the advancement of science and technology. To promote science and technology, it is absolutely essential to pay special attention to education. Empty talk will not bring about realization of modernization, and it is necessary to have knowledge as well as talented people. Without these, how can there be advancement?" ("Selected Works of Deng Xiaoping," p 37) Hence, he emphasized: "It is imperative to create an atmosphere within the party of respect for knowledge as well as talents. It is necessary to fight erroneous ideas that have no respect for intellectuals." (Ibid, p 38) He also said: "Aside from moral support, it is also necessary to adopt other means to encourage intellectuals, including improvement of their material treatment." (Ibid, p 48)

Comrade Xiaoping made these remarks in 1977, almost 10 years ago. How was the policy of respect for knowledge and intellectuals implemented? I must say that it left much to be desired, and that the issue of treatment of intellectuals has not attracted sufficient attention throughout society up to this day. Since the 3d Plenary Session of the 11th CPC Central Committee and the restoration of order out of chaos, while slogans such as "respect knowledge" and "respect talented people" have been repeated loudly and clearly these past few years and the newspapers have provided vigorous propaganda, the actual treatment of intellectuals, nevertheless, did not make remarkable improvement, and in fact deteriorated in some cases. For example, the minimum salary of university professors in the 1950's was 200 yuan and the maximum, 310 yuan. Today, the starting salary of university professors has gone down drastically. Taking into account the fluctuations in commodity prices over the last 30 years, not only has the real wage of university professors declined, but the nominal wage has dropped. This appears to be rather a rarity in the history of education in various countries of the world!

Why is it that while the central leadership consistently called on us to "respect knowledge" and "respect talented people," it could not actually implement this policy? We need to reflect on the causes. I personally believe that on the intellectuals issue, some comrades remain troubled by erroneous concepts. What "erroneous concepts"? The first erroneous concept is to regard intellectuals lightly, as if they were goose feathers. In effect, this means not understanding that intellectuals also represent a productive force (and a very important productive force), as well as denying that mental labor possesses creative value. The roots for such arguments that "the more knowledge one acquires, the more reactionary one becomes" and "the more knowledge one acquires, the more stupid one becomes" can be found here. The second erroneous concept is: "Mental laborers rule others; physical laborers are ruled over." It implies that intellectuals, being mental laborers, belong to the ruling class, and are thus opposed to the workers and peasants who are ruled over. This equates "intellectuals" with the "exploitative class," and to earn "recognition" as intellectuals is considered "cocky and stuck up." "It is easy to conquer the world, but not easy to rule it" -- this truth was understood even 2,000 years ago by Liu Bang, yet unfortunately, some people today still do no realize it.

How to condemn this anti-Marxist viewpoint which despises knowledge and culture, how to improve the lot of intellectuals not with words but with deeds -- this is a major issue that is related to whether China will be able to realize the four modernizations and still awaits our resolution today.

STATE COUNCIL NOTICE ON 1987 SUMMER TIME

OW100112 Beijing XINHUA Domestic Service in Chinese 0629 GMT 8 Apr 87

[Text] Beijing, 8 Apr (XINHUA) -- State Council General Office Notice on 1987 Summer Time

1. 1987 summer time begins on 12 April (Sunday) and ends on 13 September (Sunday). At 0200 on 12 April [1800 GMT on 11 April] the clock shall be set ahead 1 hour, namely from 0200 to 0300; and at 0200 on 13 September [1800 GMT on 12 September], the clock shall be set back 1 hour, namely from 0300 to 0200. When announcing time during this period, radio stations and other time announcing services should say "Beijing summer time" instead of "Beijing time." Local departments and railway, civil aviation, communications, postal and telecommunications, radio and television, meteorological, and urban public transportation units should meticulously prearrange all types of services and production activities. All journalistic units should remind people to set their watches when the time changes.

2. China's vast territory covers five time zones. The time difference between the eastern and western part of the country is great, and the time of sunrise and sunset also differs in north and south China. Thus, during the period when summer time is used throughout the country, regions in northwest and northeast China should, under the premise of not changing the time system, properly adjust their time for work and the time for rest according to the principle of fully utilizing sunlight to conserve lighting electricity, and according to the law of the local sunrise and sunset.

ZHAO VISITS GUANGDONG EXHIBITION IN BEIJING

HK100318 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 9 Apr 87

[Text] Yesterday, party and state leaders visited a Beijing exhibition sponsored by Guangdong Province on achievements in using foreign funds. At about 1900, Comrade Zhao Ziyang went to the exhibition hall and studied in detail the products displayed. He praised the products manufactured for export by Nanhai, Foshan, Hainan, Shaoguang, and Meixian. When seeing a presentation of an ultrasound diagnostic instrument produced in Shantou, Comrade Zhao Ziyang enquired about the sales of the product. He believed that these products would replace imports in the future.

While in a luxury suite designed and decorated by the Zhujiang Foreign Capital Construction Company of Guangzhou City, Comrade Zhao Ziyang particularly inquired as to whether the mirror frames, bathroom articles, and ceilings were made in Guangzhou. Learning that all these were Guangzhou products, he nodded to express his appreciation.

Comrades Xi Zhongxun, Fang Yi, and Hu Qili also visited the exhibition at length.

Yesterday evening, after visiting the exhibition, many central leading comrades said: It has not been easy for Guangdong to achieve these results in the 8 years since implementing the policy of reform and opening up and it is necessary to properly sum up the experience.

LI PENG OPENS NATIONAL PACKAGING EXHIBITION

OM071752 Beijing XINHUA in English 1438 GMT 7 Apr 87

[Text] Beijing, April 7 (XINHUA) — China has made an extra 2.5 billion yuan in profits in the past three years with improved packaging.

It reduced the rate of damage to cement bags from 25 percent to two percent, thereby increasing earnings from cement by 140 million yuan in 1986.

Improved plastic cases for transporting fish reduced losses by 47.5 million yuan last year.

The country earned 1.2 billion yuan from improved packaging of 22 products including cement, fertilizers, glass and household appliances, according to sources at a national exhibition on China's packaging industry which opened here today.

[Beijing XINHUA Domestic Service in Chinese at 0850 GMT on 7 April carries a similar report, stating that "Li Peng, vice premier of the State Council, attended the opening ceremony and cut the ribbon" for this exhibition.]

ANHUI GOVERNOR REPORTS WORK TO PEOPLE'S CONGRESS

OW110841 Hefei ANHUI RIBAO in Chinese 24 Mar 87 : 1

[Dispatch by reporters Jian Haibo and Li Xiangmin]

[Excerpts] Since the beginning of this year, principal responsible comrades of the provincial government have, on two occasions, led leaders of the government departments concerned to make reports to the Standing Committee of the provincial People's Congress on major questions concerning government work. [passage omitted]

On 18 March, these reporters attended the first such report meeting as observers. The meeting, which took place in the conference room on the first floor of the provincial People's Congress Building, was presided over by Wang Guangyu, chairman of the Standing Committee of the provincial People's Congress. Among those attending the meeting were Governor Wang Yuzhao; Zhao Huashou, secretary-general of the provincial government; Chen Jian, chairman of the provincial Planning Commission; and Yang Lianzhu, director of the provincial Department of Finance. Yang Lianzhu and Chen Jian reported to the pertinent, responsible comrades of the Standing Committee of the provincial People's Congress and some deputies from the Hefei area on the province's expenditure budget and investment plans for capital construction and technological transformation this year. They also listened to the suggestions offered by others. [passage omitted]

Prior to this, on 11 February, Governor Wang Yuzhao, Vice Governor Shao Ming, and responsible comrades of the government departments concerned had explained the question of operating expense for implementing the Compulsory Education Law and other related matters to Wang Guangyu, Su Yu, Su Hua, Wei Xinyu, Ying Yiqian, Kang Zhijie, and other leading comrades.

Before the conclusion of the 18 March meeting, Comrade Wang Guangyu praised this work-reporting method. He said: This represents a major step in making policy decisions in a democratic and scientific way. It also manifests the government's consciousness of respecting the People's Congress and accepting its supervision. In the meantime, Wang Guangyu agreed, in principle, to this year's budget and capital construction plan drawn up by the provincial Department of Finance and the provincial government to make appropriate adjustments to the budget and plan on the basis of opinions offered by deputies to the provincial People's Congress and members of its Standing Committee. Comrade Wang Yuzhao also spoke at the meeting. In addition to explaining the financial budget and the capital construction plan, he said: Making direct contacts with responsible comrades and members of the People's Congress Standing Committee and deputies to the People's Congress is a good way to exchange information and ideas. We plan to institute this as a regular system and hold meetings for this purpose on a periodical basis.

FUJIAN EXPORT VOLUME EXCEEDS \$150 MILLION

HK130244 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0206 GMT 10 Apr 87

[Report: "The Export Volume of Fujian Reaches More Than \$150 Million"]

[Text] Fuzhou, 10 Apr (ZHONGGUO XINWEN SHE) -- Since the beginning of this year, the momentum of Fujian's exports has remained great.

The export volume in the first quarter is \$157 million, which is 33 percent of the annual export plan and is 48 percent over the same period last year. Foreign trade departments here think that the reason why the export volume of Fujian's products has been great this year is that on the one hand, commodities which were not exported in the past, such as live eels and frozen prawns, are in great demand abroad and their export volumes are respectively 110 and 440 percent over the same period last year. The range of increase of export volumes of other commodities such as tangerines, women's personal ornaments, granite slabs, mushrooms, silk products, and so on is great and the export of some of them has increased by scores of times. In addition, the appreciation of the Japanese yen and the South Korean won, along with slowdown of the growth of the international market, is beneficial to the export of provincial commodities. Fujian has also met with some difficulties in export this year. The production of some agricultural and sideline products has decreased because of the abnormal weather in the first quarter; the prices of these products have increased. This has affected the purchase of products for export. The export of products of the light and textile industries has also been affected by the increased demand of the domestic market. The contradiction between domestic demand and export is sharpening.

2 YOUNG NANJING WORKERS SENTENCED FOR PROTESTS

OW120718 Beijing XINHUA Domestic Service in Chinese 1441 GMT 11 Apr 87

[By correspondent Wang Yuxia]

[Text] Nanjing, 11 Apr (XINHUA) — Young workers Liu Jun and Wang Jiabin, who engaged in hooliganism and disruptive activities in December last year by taking advantage of street demonstrations by a small number of university students, were sentenced to imprisonment for 5 and 4 years respectively by the People's Court of Gulou District in Nanjing City.

Liu Jun and Wang Jiabin were originally workers of the Nanjing Passenger Transportation Company. On the night of 25 December 1986, between 11 p.m. and 2 a.m., Liu Jun and Wang Jiabin snuck into the crowd, taking advantage of the street demonstration staged by a small number of university students in Nanjing. They joined in surrounding the civil policemen, caused a traffic jam by kicking iron barrels into the middle of the road, created trouble in a restaurant, and threw yellow sand at the crowd. Later they intercepted two motor vehicles. Liu Jun broke the windshield wiper of a motor vehicle and Wang Jiabin removed the tail light of another motor vehicle. After committing the crimes, they tried to escape, but were arrested by public security members. Liu Jun and Wang Jiabin confessed their crimes. After the first judgment made on 21 March by the People's Court of Gulou District, Liu Jun made an appeal on the grounds that the sentence was too heavy. The People's Intermediate Court in Nanjing City decided to overrule the appeal on 10 April and affirmed the original judgment.

HAN PEIXIN ATTENDS NANJING AWARD MEETING

OW122040 Nanjing Jiangsu Provincial Service in Mandarin 1015 GMT 14 Apr 87

[Excerpts] The provincial court held a meeting in Nanjing today to commend advanced collectives and individuals in provincial judicial departments in 1986.

Representatives of 36 advanced collectives and 144 advanced individuals from people's courts in various places in Jiangsu attended the meeting.

Leading Comrades Hui Yuyu, Han Peixin, Chen Huanyou, and Hong Peilin were present on the occasion. They presented citations to the advanced collectives and workers.

Chen Huanyou, deputy secretary of the provincial party committee, spoke at the meeting. After confirming the achievements scored by people's courts at various levels in Jiangsu in upholding the strategic principle of promoting construction and the legal system at the same time, he called on judicial departments to actively and comprehensively carry out their work centering on the two major tasks put forward by the central authorities. [passage omitted]

SHANDONG CPC PROPAGANDA WORK MEETING CONCLUDES

SK110658 Jinan Shandong Provincial Service in Mandarin 2300 GMT 10 Apr 87

[Excerpts] The provincial meeting of directors of propaganda departments of city and prefectural party committees, which concluded on 10 April, stressed that we should further carry out education by setting positive examples of adhering to the four cardinal principles in an effort to healthily and steadily launch the struggle to oppose bourgeois liberalism. The meeting was held in Jinan from 7 to 10 April.

The meeting relayed the guidelines of the National Conference of Propaganda Department Directors, conscientiously studied Comrade Zhao Ziyang's important speech at the National Conference of Propaganda Department Directors, reviewed the situation in which the province launched the struggle against bourgeois liberalism in the previous stage, and discussed and studies the questions of further conducting education by setting positive examples of adhering to the four cardinal principles, and of deepening the struggle to oppose bourgeois liberalism. Lu Maozeng, deputy secretary of the provincial party committee, made a speech at the meeting. Miao Fenglin, Standing Committee member of the provincial party committee and director of the Propaganda Department of the provincial party committee, made a speech on how propaganda departments play their roles as assistants and advisers to the party committees in resolutely, healthily, and steadily launching the struggle against bourgeois liberalism.

The meeting pointed out: Launching the struggle against bourgeois liberalism is overall positive education for the vast number of party members in adhering to the four cardinal principles and comprehensively and accurately understanding and implementing the line, principles, and policies set forth since the 3d Plenary Session of the 11th CPC Central Committee. The so-called positive education is aimed at better eliminating the previous leftist practices of blazing trails through mass criticism, (carrying the torch at each level), establishing relations with the people from higher to lower levels, and at presenting facts and reasoning things out to make the people ideologically grasp standards in telling truth from falsehoods, upgrade people's awareness, and correct the orientation. In persisting in positive education, the emphasis must be placed on conducting education on adhering to the four cardinal principles at present. Party committees at all levels should fully understand the significance of the work and consciously make great efforts to develop such work. [passage omitted]

The meeting urged: We should strive to enhance external propaganda work to improve the effect of propaganda work, substantially achieve external propaganda activities in the cultural, tourist, economic, and trade fields, and strive to make propaganda work better serve the goal of making the people rich and Shandong prosperous.

SHANDONG PORT IMPROVES INVESTMENT CLIMATE

GW111321 Beijing XINHUA in English 1236 GMT 11 Apr 87

[Text] Yantai, April 11 (XINHUA) -- Yantai on the Shandong peninsula, one of China's 14 coastal cities of opening to the outside world, received visits from 500 overseas business executives during the first three months of this year. And it reached agreements on half of the 130 projects for cooperation with foreign firms and signed ten contracts, the mayor of the city said.

Mayor Yu Zhengsheng attributed this "pleasant beginning" to the improved infrastructure and work efficiency of local authorities.

Yu said that since authorized to open to the outside world in 1984, Yantai has signed 114 contracts worth a total of more than 160 million U.S. dollars with foreign countries. They involve 30 Sino-foreign joint ventures and co-management projects; eight enterprises have begun trial operation.

The city also achieved marked progress in foreign trade by purchasing export goods worth 306 million yuan in the first three months — 77.5 percent more than in the same period of last year.

The construction of the Yantai Harbor, now in progress, is expected to double the marine freight handling capacity. Its airport has opened domestic routes to Beijing, Shanghai, Jinan and Dalian, and it will be able to accommodate large planes when an expansion project is completed this year, he said.

The city's telecommunications building, which has installed a 100,000-line program-controlled switchboard, will be operational in July.

A 100,000-kw generating unit has been put into operation at a power plant at nearby Kengkou. And two other 200,000-kw generators will be launched before the end of next year.

The renovation of the railway system, the building of new highways and a gasification project are all under construction.

With the increase of opening activities, local people have also become more sensitive to changes in markets, competition, information, time value and efficiency, the mayor added. The local authorities have paid greater attention to raising their work efficiency and improved production management and service for business partners from outside the city.

Meanwhile, the city has also developed its education system by setting up Yantai University with locally raised funds and starting professional and adult education to train more personnel.

GUANGDONG CLOSES ILLEGAL TV RELAY STATION

HK120616 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 10 Apr 87

[Text] The provincial Broadcasting Control Commission recently worked together with the provincial Radio and Television Department, the Foshan City Broadcasting Control Commission, and other departments concerned, in investigating and closing down a private low-power television relay station set up in (Xiya) Village of (Zhangjiabian) Town of Zhongshan City. This station, set up on (Xiya) mountain in April 1985, was equipped to receive external television programs; the signal was then amplified and retransmitted through three transmitter serials on Channels 13, 15, 17, and 19 in the direction of (Xiya), (Shenyong), and (Fuhua) Village. The transmitter equipment and batteries were kept locked in a safe (He Manzu), a worker of the Youli Toys Factory, periodically went up the mountain to change the batteries and carry out maintenance.

In accordance with the broadcasting control regulations promulgated by the State Council and the Central Military Commission, and the management regulations on low-power television stations issued by the former Central Radio and Broadcasting Affairs Bureau and the All-China Broadcasting Control Commission, all units, whether inside or outside the broadcasting system, that wish to set up a low-power television relay station must be included in the television coverage plans for the provinces, municipalities, and autonomous regions, and the broadcasting affairs bureaus of the provinces, municipalities and autonomous regions must consider the matter fully, make all-round arrangements, and allot channels. Such units must also get a PRC broadcasting station license. In accordance with the provincial government regulations, those who privately set up such stations without permission will be warned, or fined, the station will be suspended; the license will be revoked, or the equipment will be confiscated, according to the circumstances. In serious cases, the leaders and the perpetrators will be held administratively and legally accountable.

To uphold proper state control over broadcasting, and in accordance with reports received from the masses, the provincial radio and television department has frequently sent broadcasting engineering technicians to carry out investigations at (Xiya) Village of (Zhangjiabian) Town. Our own station reporter has also taken notes there, to get conclusive evidence. The relay station has now been dismantled. The Broadcasting Control Commissions of Guangdong Province and Foshan City are looking into dealing severely with this matter.

A responsible person of the Provincial Broadcasting Control Commission recently commented on this case. He said: The private establishment of a television relay station at (Xiya) Village violated the broadcasting control regulations issued by the State Council and the Central Military Commission, which prohibit any unit or individual from privately setting up a broadcasting station. Hence, this privately established television station has to be investigated and closed.

On how to carry out the procedure for gaining permission to set up a low-power television relay station, he said: The first thing is to apply for a frequency. The unit setting up the station must first fill in a form applying for a frequency and send it to the radio and television departments. After these departments have examined the matter and given it their approval, they will issue a frequency appraisal document. Second, the unit applying to set up the station must take this document to the broadcasting control departments for the procedure of examination and approval of an application to set up a radio or television station, and to have a site allocated.

Only after official permission is obtained can the equipment be ordered from a factory. Before installing and using the equipment, it is necessary to fill in an equipment appraisal form and send it together with a license application form to the broadcasting control departments.

PREPARATIONS COMPLETED FOR GUANGZHOU TRADE FAIR

OW121718 Beijing XINHUA in English 1226 GMT 12 Apr 87

[Text] Guangzhou, April 12 (XINHUA) -- Preparations have been completed for the coming spring export commodities fair to be held April 15 in Guangzhou, capital of south China's Guangdong Province.

This fair, the 61st, will display more name-brand and quality products, according to Liang Jinwen, secretary-general of the fair.

By April 8, he said more than 27,000 invitations were posted to overseas businessmen, 20 percent more than the previous spring fair.

During the fair, the visitors will have a good choice for their own lodging arrangements as more hotels have been built in the city.

Up to now, the major hotels around the site of the fair -- the China, Dongfang (Orient), Liuhua and Xindadi -- have had all their rooms booked out.

The fair has issued a tourist guide book to facilitate visitors in their activities in Guangzhou.

SHANTOU OPENS TWO NEW PROCESSING ZONES

HK130224 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0651 GMT 9 Apr 87

[Report: "Shantou Special Economic Zone Opens Two New Processing Districts"]

[Text] Shantou, 9 Apr (ZHONGGUO XINWEN SHE) -- The Shantou Special Economic Zone of Guangdong Province has recently opened two small processing zones, Daitou and Donghu, to foreign countries in the Guangao District. Policies more preferential than those in the Shantou Special Zone will be implemented toward foreign businessmen. Yang Feng, chairman of the Board of Directors and concurrently general manager of the China Guangao Development Company, told reporters several days ago that in addition to the implementation of relevant preferential policies of the special zone, these two processing zones will also adopt three even more preferential measures: First, the rent of land is lower and is only one third of that of the Longhu District of the Shantou Special Zone, that is, about 15,000 yuan per mu. Second, labor power is cheaper. Third, the monthly rent for 1 square meter of factory premises is only 3 yuan.

The distance between the Daitou and Donghu Processing Zones is 3 kilometers. The roads from the headquarters of the Guangao Development Company to Donghu and Daitou are already open to traffic. A cement road is being paved to join the two processing zones. In the Daitou Processing Zone, 40 million yuan has been invested in building a velvet plant, a silk fabrics plant (trial production of these two plants are underway), and a plant for producing several different products. In the Donghu Processing Zone, a shopping arcade and other facilities for daily life have been built. This year, Hong Kong's toy companies and Japan's lighter manufacturers have come for investment negotiation and have signed letters of intent.

According to reports, with the construction work in the past few years, the 35,000-volt power substation, the first-grade highways with a total length of 12.9 kilometers, and the 1,000 sets of programmed telephone sets in the Guangao District of the Shantou Special Zone have been put to use. In addition, the construction of a cross-harbor water supply line with a flow capacity of 80,000 tons of water per day, villas to be used as reception houses, and the Donghu Bay swimming beach will soon start.

HUBEI RADIO DISCUSSES ANTILIBERALIZATION DRIVE

HK110317 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 10 Apr 87

[Station commentary: "Slackness and Impatience Are Both Signs of Lack of Understanding of the Long-term Nature of the Struggle"]

[Text] From the end of last year to now, initial successes have been scored in the struggle against bourgeois liberalization. Generally speaking, the rampant spread of the ideological trend of bourgeois liberalization has been reversed and a climate of opposition to bourgeois liberalization is forming. Positive and gratifying changes are taking place in the media orientation and environment. In these circumstances, how should we go about carrying on the struggle in a resolute, healthy, and sustained way? To do this, we must, at present, pay special attention to eliminate slackness and impatience. Both of these are expressions of a lack of understanding of the long-term nature of the struggle against bourgeois liberalization. Unless overcome, these will become serious ideological obstacles hampering the deepening of the struggle.

Comrade Deng Xiaoping has put this matter quite clearly. He said: The question of opposing bourgeois liberalization exists throughout the course of building the four modernizations. This is a long-term affair. Comrade Zhao Ziyang recently warned us to summon up resolve to carry out the struggle against bourgeois liberalization for several decades. There is ample basis for the remarks of the leading central comrades. This basis is related to the present international environment and also to the stage of social development that we are now in.

Take the international environment. Internationally, the capitalist system exists. The forces hostile and opposed to socialism want to push China onto the capitalist road. In addition, we need to practice a policy of opening up to the world in our modernization drive. Inevitably, therefore, all kinds of decadent capitalist ideas will come in, as will the ideology of bourgeois liberalization.

Take the stage of social development we are now in. China is now in the initial stage of socialism.

During this stage, for historical reasons, the superiority of our socialist system has not been brought into full play in many fields. The effects of decadent capitalist thinking and the remnants of feudalist thinking will be around for a long time. Although we aim to build a high degree of socialist democracy, this will be achieved through a process of gradual building. Economically, we cannot catch up immediately with the developed capitalist countries that have a history of several centuries. It is only possible to eliminate the ideological trend of bourgeois liberalization after several decades of hard work, after which the superiority of the socialist economic and political system can be brought into full play.

Since the ideological trend of bourgeois liberalization will exist for a long time, the struggle against it must be carried out in a sustained way. It will be very harmful if we fail to understand its long-term nature, are impatient for success in this struggle, or else come to a halt after initial success has been achieved.

At present the CPC Central Committee has drawn up explicit principles and policies for this struggle. The arrangements made by the provincial authorities are also quite clear. The problem lies in their implementation. We must further unify our understanding and carry out the struggle against bourgeois liberalization in a resolute, healthy, and sustained way.

BRIEFS

GUANGXI FOREIGN TRADE -- Guangxi region's foreign trade export volume during the 1st quarter of this year reached \$150 million, a nearly 100 percent increase over the same period last year, thus fulfilling 32.6 percent of the state export plan and topping the highest level in history. [Summary] [Nanning Guangxi Regional Service in Mandarin 1030 GMT 7 Apr 87 HK]

HENAN WATER NETWORK -- China has decided to build another big water-conservancy network on the Yellow River to prevent flooding on its lower reaches in Mengjin County, Henan Province. This is another effort to harness the 5,464-km river, China's second-longest and believed to be the muddiest in the world, which carried downstream 1.6 billion tons of sand silt a year from the seriously eroded loose highlands. The construction of the project will start during the Seventh Five-Year Plan period (1986-90) and it is due to be completed in the following 10 years. The network includes a reservoir that will be able to store 12.65 billion cubic metres of water, and a number of facilities for draining off silt and for power generation. [Text] [Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 1 Apr 87 p 1 HK]

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CHINA
HONG KONG & MACAO

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HONG KONG

PRC-PORTUGAL AGREEMENT ON MACAO SIGNED 13 APR

OW130340 Beijing XINHUA in English 0331 GMT 13 Apr 87

[Text] Beijing, April 13 (XINHUA) -- The Joint Declaration of the Governments of the People's Republic of China and the Republic of Portugal on the Question of Macao was officially signed here at 11:30 (Beijing summer time) this morning.

The declaration was signed by Chinese Premier Zhao Ziyang and Portuguese Prime Minister Cavaco Silva on behalf of their governments respectively.

The declaration announces that the Government of the People's Republic of China will resume the exercise of sovereignty over Macao with effect from 20 December 1999.

Deng Xiaoping, chairman of the Central Advisory Commission of the Chinese Communist Party, and Li Xiannian, Chinese president, attended the signing ceremony in the Great Hall of the People.

When the two prime ministers signed the declaration, warm applauses were accorded. They exchanged versions and warmly shook hands.

Nearly 200 reporters from Beijing, Hong Kong, Macao and foreign resident correspondents, who had been waiting outside the hall for more than an hour, recorded the historic moment with recorders, cameras, or notebooks.

In their speeches following the signing the two leaders congratulated each other's government on the settlement of the Macao question. They pointed out that the agreement has opened up new vistas for Sino-Portuguese friendly cooperation.

Zhao said after the Chinese and British Governments successfully settled the question of Hong Kong, the Chinese and Portuguese Governments have satisfactorily reached agreement on the settlement of the question of Macao in a fairly short time, which is a question left over from history between the two countries. This has set yet another example of successfully settling outstanding questions between states through peaceful negotiation in the world today.

"The joint declaration has not only settled the question of China's resumption of exercise of sovereignty over Macao, but also laid a solid foundation for long-term stability and development in Macao. It has naturally won acclaim and received support from the Chinese people including Chinese residents in Macao and from the Portuguese people, and it has also won praise from the people of other countries," Zhao said.

"The joint declaration has been signed thanks to the joint efforts of our two sides. During the negotiations, our two governments, attaching importance to the overall interests of Sino-Portuguese friendly relations and cooperation and bearing in mind the history and realities of Macao, carried out consultations on an equal footing and in a spirit of mutual understanding and mutual accommodation. The whole process was permeated with an earnest and cooperative atmosphere," the Chinese premier said.

Zhao expressed his "high appreciation" to Silva for his personal contribution to the conclusion of the agreement. He also extended sincere thanks to Portuguese friends and Chinese colleagues for the hard work they put in during the negotiations.

He pointed out that the principle of "one country, two systems" is an important state policy formulated by China to accomplish its grand cause of national reunification. The successful settlement of the question of Macao has proven and will continue to prove that the concept of "one country, two systems" is realistic and therefore definitely viable.

"The Chinese people will continue to firmly follow this principle and work hard for the complete reunification of our motherland," he continued.

The agreement was reached after serious negotiations between China and Portugal, Zhao said. It embodies the common interests of the two sides. "I'm confident that both sides will conscientiously and fully implement the agreement. It is also our sincere hope that compatriots and public figures of various circles in Macao will make concerted efforts and contribute their share to the long-term stability and development of Macao and its ever-bright future," he said.

"The successful settlement of the Macao question has ushered in a new stage for the further development of the friendly relations and cooperation between China and Portugal and will greatly enhance the profound friendship existing between the two countries and the two peoples," Zhao concluded.

Speaking at the ceremony, Silva said that with the signature of the joint declaration, the compromises assumed by the two states on the moment and the condition of transference of the Portuguese administration in Macao will be established in a solemn way.

He pledged that while the present status and the present responsibilities shall be maintained, Portugal will do everything in order to maintain the stability and to promote the economic development of the territory and its population.

"The joint declaration that we signed has even another meaning -- it establishes a new perspective for the relations between Portugal and the People's Republic of China," he added.

"I believe that the agreement we signed determines a mark in the history of our two countries. We give an example of peace, understanding and progress. We signed a document that shall be applicatory essentially in the 21st century. I am sure it will contribute to projecting our relations in the coming century," he added.

Attending the ceremony were Ji Pengfei, Chinese state councillor and director of the Hong Kong and Macao Affairs Office under the State Council; Wu Xueqian, state councillor and foreign minister; and Pedro Pires de Miranda, Portuguese foreign minister.

Also present were members of the Chinese and Portuguese delegations to the talks on Macao question as well as some 50 noted public figures from Macao who have come here specially for the occasion.

The ceremony was broadcast live by Chinese television and radio stations.

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